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OF MANY THINGS

Of Many Things

Being Reflections and Impressions on International Affairs, Domestic Topics and The Arts

By

OTTO H. KAHN

NEW YORK
BONI & LIVERIGHT
1926

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PRINTED IN THE UNITED STATES

First printing June, 1926
Second printing, August, 1926
Third printing, October, 1926

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PUBLISHERS' PREFACE

For the thoughts and opinions and their expression in the essays and addresses contained in this volume, Mr. Otto Kahn is alone responsible. It was the publishers' idea and they alone are responsible for the fact that these have now been collected in book form and are thus offered to the public.

The author met this suggestion on our part by the opinion, that while most of these utterances received a measure of publicity when they were made, they were nevertheless of too ephemeral an interest to warrant their publication in collected form.

We believed at the time, and still believe, that because of their literary excellence, their intellectual discernment, and as a record of certain contemporary phases of thought as applied to events and developments of general and public interest at the time these events were of prime importance, they deserved preservation in permanent form.

Moreover we had not forgotten the words of Theodore Roosevelt as applied to Mr. Kahn. "He has his face set toward the light" and "The soundest economic thinking in this country nowadays is being done by Mr. Kahn" coming from Roosevelt, indicated the respect in which Mr. Kahn's opinions were held by him. J. H. Thomas, one of the most eminent leaders of British Labor wrote: "I certainly have no knowledge of any British financier whose interests are so wide and well-informed and whose sympathies are so broad as are those of Mr. Kahn, whose public service has been of the highest order and has often been rendered under circumstances

which nothing but a lion-hearted sense of duty and an utter disregard of self-interest would have faced."

Having presented our reasons for this volume to Mr. Kahn, we obtained his consent and we feel confident that the verdict of those who will read this book will fully sustain our insistence on its publication.

It should be added that the material has been left as far as possible in its original form. This has not been entirely possible, inasmuch as in some instances there has been repetition of idea in several of the addresses. Not all repetition, however, has been eliminated, because this would have been impossible without in some cases destroying the logical development of the theme.

Also a few paragraphs which seemed to elaborate the argument to unnecessary length have been omitted, here and there a paragraph has been added and minor modifications have been made in the text. All these revisions have been effected by Mr. Kahn himself.

The Publishers.

NOTE: *The article on Edward Henry Harriman has been reprinted from a previous book by Mr. Kahn not only because of its inherent interest, but also because, in a sense, it offers the keynote to Mr. Kahn's business views, and because it is the first public address delivered by him.*

The article "A Few Reminiscences of Conversations with the late Colonel Theodore Roosevelt" is entirely novel, it having been written by Mr. Kahn some time ago but never utilized heretofore.

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PART I

ART AND AMERICA *

FOR such modest services as I may have been privileged to render to the cause of art in America, I deserve no praise. I have, and from the days of my early youth I have had, a profound love for art, and no particular credit is due for serving those things or those persons that one loves.

Men of wealth must pay dividends in service.

Moreover, I have long felt and believed that every man who has attained material success should look upon himself as an investment, so to speak, which the community has made. In return for the opportunities given to him and for the financial results which they have brought, it is "up to him" to yield dividends in service and in other things of value to the community. In proportion to whether, in this sense, he turns out a good or a bad investment, he merits the commendation or the disapproval of his fellow-citizens.

I am trying, in various ways, to prove a reasonably satisfactory investment, and I have chosen to pay a certain portion of the dividends due from me, in endeavoring to be of some little aid to the cause of art in America, both through financial support and otherwise.

Not only would it be "carrying coals to Newcastle," but it would be presumptuous in me, were I to speak on the subject of art before this assembly. What I may appropriately discuss on this occasion for a few minutes, is the attitude and sentiment of the American public toward art, for, as somewhat of an amateur impresario, I have had occasion in numerous ways and at numerous times to

* An address before the New York Drama League at a luncheon at the Hotel Astor, February 5, 1924.

come into touch with it in that field and formulate impressions about it.

America is much misunderstood and consequently misjudged. Its foibles, its imperfections "jump at the eye," to use a graphic French expression. Its really controlling qualities lie deep and are not apparent to the casual beholder.

The short-cut of catch phrases.

The world likes the short-cut of characterizing in catch phrases and is reluctant to go to the trouble of reconsidering opinions once formed. America has been termed, and widely accepted as being, "The Land of the Almighty Dollar." That certainly is not true now. I don't believe it ever was true.

America, in the last century, had the formidable task of conquering a continent, physically and economically, and it was necessary that the best brains, the intensest energies and activities of its people should devote themselves to that stern task of material effort, the success of which was naturally measured and expressed largely in terms of dollars and cents.

But I think that even in America's most materialistic days the power of the idea, the impulse of the ideal, were far mightier than the might of the dollar. It has never been typical of the American to seek dollars for the sake of mere selfish accumulation. He is seeking quite other and more worth-while things, consciously or, more often, intuitively. In the great majority of cases, the dollar to him is an instrument merely, or a token of achievement, the concrete consummation of his ambition to create and construct, of his will to rise, to succeed, to excel. Nowhere are men of wealth so free and willing as in this country to give away for altruistic purposes that treasure which it has taken them a lifetime of effort to attain. Nowhere is the call of public spirit and duty more compelling with respect to the use of wealth. Nowhere is

less satisfaction sought and found in the sense of the sheer possession of money.

And I would add, contrary to traditional opinion both here and abroad, that, by way of conferring power, honor and distinction, wealth counts for less in America than it does in Europe. One of the reasons why this is so may be found in the fact that the number of rich men has increased in America so rapidly that there does not adhere to them any longer what art collectors call "scarcity value."

* * * * * * *

Every talent latent here.

In this vast country, with its unprecedented mixture of races, all thrown into the melting-pot of American traditions, climate, surroundings and life, underneath what the surface shows of newness, of strident jangle, of "jazziness" and "Mainstreetness," there lies all the raw material of a great cultural and artistic development—in saying which I must not be understood as underestimating that which America has accomplished already in that field. Every kind of talent is latent here. All that we have to do to bring it to fruition is to call to it, to look for it, and to see that it gets fostering care, and guidance and opportunity.

And we have here perhaps the best public to which to appeal that exists anywhere, a public eager to learn, alert for improvement, hospitable to the unaccustomed, quick to perceive and to respond, sure to appreciate and retain, spontaneous in its feelings, fertile of emotion, endowed with a rarely failing instinct for what is really worth while.

In saying this I am not unmindful of the charge frequently brought against us that our people lack as yet in discrimination and finesse, that they are not sufficiently intolerant of the meretricious in art, and that our education tends to turn out the sameness of mass production rather than stimulate individual development. But these,

to the extent that they exist, are faults of youth, and, moreover, essentially negative faults, curable and in process of being cured, while the virtues, to which I have referred, are positive in character, and cumulative and progressive in effect. Admitting that our people are apt at times to follow false gods, I say: let the right god come along and they will recognize him unfailingly and follow him rejoicing.

It is not the fault of the American public that, too often in the field of view of art, it is false gods that are made to appear to them.

* * * * * * *

Idealism typical of American people.

We are accustomed to be considered generally, and to think of ourselves, as essentially matter-of-fact, but, in truth, we have a very large admixture in our make-up of sentiment and romanticism. We are rather shamefaced about it, but it crops out ever so often, sometimes in queer forms and in unexpected places. We, the American people in general, are a good deal more susceptible and responsive to the call of what is high and handsome than we know or admit ourselves, and much more so than we are inclined to give one another credit for.

Indeed, I think the American people have one spiritual quality to a greater degree than any other people—and that is idealism. It seems to me, indeed, the most characteristically and typically American attribute.

It has nothing to do with race, because it is just as strong in the children of the immigrant as in those of old native stock. It seems to be rather an emanation of the soil, of climate, of environment, or whatever else be the powerful elements which, out of the blood of many races, have produced and constantly do produce a distinctly American type, physically, mentally and psychically.

Perhaps it arises from the very fact that we do not have here that historically romantic background, the

product of many centuries, which exists in European countries. It may be because of the very lack of that background and all the subtle influences that issue from it, because of the paucity of nourishment which modern life offers to the soul, because of the bareness and unveiledness of our psychic surroundings, because of the infrequency of inspirational opportunities, it may be from these very deficiencies that we have developed to so marked a degree the state of mind and feeling which for want of a better term we call idealism. In some ways it is crude as yet, some of its manifestations are tawdry, some irritating, some pathetic, but some of them are splendid, and whatever the mode of expression, the thing itself is very deep and fine, very genuine and full of promise.

Harriman "rhymed in rails."

I believe it to be a fact that no great and lasting success is possible in America for any man who does not possess and exemplify, in some form, that national trait of idealism, in whatever way it may express itself. I believe that to be true even in business, and I am reminded of the occasion when, as I was leaving the office of that great railroad man and financier, the late Edward H. Harriman, in company with a gentleman from Europe, the latter turned to me and exclaimed: "Why, that supposedly 'hard-boiled' man is a great poet; only, he rhymes in rails!"

* * * * * * *

From that innate idealism, from that groping after higher things, from that stirring which is going on throughout the land (some of it, at times, finding expression in freakish ways, economically, socially, or politically), I look for high achievements and, among other results, for the creation of a great impulse toward art.

The growing impulse toward art.

The souls of many people are hungry. More and more of them are feeling the need of something wholly

different from material needs and aims, something which will make the content of their lives fuller and richer and more satisfying.

There are but few, very few, fields where that flower is growing which, consciously or intuitively, they seek. One of those fields, the greatest next to religion, is that of art. And I think the number of those Americans is steadily growing who, in their search for that flower, are finding or will find that field.

It has been said by a foreign observer that America is "the land of unlimited possibilities." And that is true. The saying was meant in a material sense, but it is equally applicable in a cultural and artistic sense.

May I add a few words concerning what in Congress is termed, "a matter of personal privilege":

Some public comments have come to my attention recently, in which I am charged with having given support mainly to art and artists of foreign origin. With your leave, I should like to say a few words on this subject.

A persona. explanation.

My whole and sole purpose in those endeavors of mine which relate to art, is to serve and further American art. My course of action is guided by the desire to do that, however little it may be, which will be most conducive toward promoting that object, to the best of my judgment and to the extent of my opportunities.

I shall not tax your patience by indulging in extended observations on the subject of the relationship between national art and foreign art. My answer to the "charges" above referred to, will be confined to three short chapters:

I

While genuine art is national in its roots, in what it aims to express and in the character of its expression, still the art manifestations of the leading peoples of the

world have at all times reacted upon, and stimulated and influenced, one another.

Genuine art is national, but all art interrelated.

Only a trifling fraction of the American public, only a very limited number of American artists, have the opportunity of going to Europe and coming in contact there with contemporary foreign art. To bring the best of European achievements in dramatic art before the eyes of the public and the artists of America is to render a distinct service to American art, just as it is a service to bring to this country the greatest of European singers and virtuosi, and exhibitions of the works of the best painters.

For having been instrumental, among other things, in enabling our public to see such admirable, renowned and significant achievements as those of Diaghileff's Russian Ballet, Copeau's Théâtre du Vieux Colombier, Stanislavsky's Art Theatre and Max Reinhardt's "Miracle," I have no apologies to offer to the cause of American art. On the contrary, I take great satisfaction in having been privileged to aid in these undertakings, which without amateur coöperation would not have been financially practicable.

II

To have helped in bringing the most eminently worthwhile foreign productions, troupes or personages to America, does not, however, establish an "alibi" for one who aspires to be of some little usefulness as a patron of art, when it comes to supporting American art in more direct ways. I have never claimed any such "alibi" and never shall. May I be permitted to say, in all modesty, and with no desire to claim credit, that many a time I have extended support to what appeared to be worthwhile, well conceived and promising American art undertakings or movements, as well as to individual American artists; and—surtaxes permitting—I mean to continue to do so.

A few lessons of experience.

But, in the course of these actions of support and expeditions of rescue, I have learned a few things:

The first one is that not every project which is well-intentioned can, or should be, called into life. You know which road, according to the proverb, is "paved with good intentions." Something more, indeed a good deal more, than worthy intent is required to justify the carrying out of a theatrical project.

Secondly, it is not the smooth and unobstructed road which is most likely to lead to the goal sought. Difficulties, obstacles, heartburnings, disappointments are the signposts which most frequently point the way to ultimately worth-while and lasting achievement, especially in art.

The plant of American dramatic art has come to be a vigorous growth. It must neither be allowed to be stifled by weeds nor, on the other hand, by being unduly sheltered, be made to turn into a frail hothouse flower.

Thirdly, the latent conflict between the material and the spiritual is an old story. Of course, money can, and should, be made effective to aid art and provide opportunity for artists, but the fact is that, all too frequently, art and money do not run well in harness.

There is a real risk that abundance of funds at the disposal of a theatrical venture will accomplish more harm than good. I do not believe that the New Theatre, in the creation of which, fourteen years ago, I was one of the prime movers, would have failed—petered out, as it did, lamentably and unheroically—if it had not started with such conspicuous backing of wealth. I do not believe that the Theatre Guild would have succeeded, so conspicuously and gratifyingly, if it had not risen from such modest beginnings.

Moreover, the idea of a theater subsidized overmuch by one or a few rich men is somewhat out of tune with the American spirit. Its realization would, I surmise,

meet with but limited sympathy on the part of the public, and the offerings of such a theater would be liable, I fear, to encounter a somewhat sardonic disposition on the part of the critics.

III

I came to this country thirty years ago. The not very bulky equipment which accompanied me, included a great love of art and some little understanding of it—all art, not merely the art of one particular country or kind. As long as I can think back—and I recall, besides my parents, my grandparents and great-grandparents—art had been practiced and cherished in my family. My feeling for it, reverence toward it, interest in it, and a little knowledge of it, constituted a precious possession, gained by inheritance and cultivation.

No allegiance other than to United States.

The same thing holds good, to a greater or lesser degree, of not a few who have come here from foreign lands, who found home and opportunity and struck root here, and were given the privileges, and assumed the duties, of American citizenship. With the taking of the oath of naturalization, it becomes the foremost obligation of all such to be good and thorough Americans, to imbibe the traditions and ideals of their adopted country, to rival their native-born fellow citizens in affection and loyalty for it, and to bury forever any allegiance whatever other than that to the United States.

But in merging themselves in the great mass of their fellow-citizens, it is not their obligation to "*de*-individualize" themselves. It is not their obligation to adjust their tastes and their artistic standards, or to limit the sweep of their artistic interests and appreciations, to the conceptions of those who mistakenly proclaim as an attribute of Americanism that which is Philistinism or Jingoism. It is not their obligation to bury, or to let lie

fallow, those qualifications and gifts, the products of generations and centuries of ancestry and environment, which came to them as a birthright.

They are not called upon to surrender those birthrights at the behest of a narrow and misinterpreted Americanism. On the contrary, they are called upon to cherish and nurture them and preserve them inviolate as a contribution to the common belongings, and for the common welfare, of their adopted country.

THE VALUE OF ART TO THE PEOPLE*

I HAVE been asked to make a few observations on the subject of "The Value of Art to the People." In doing so, let me say at the outset that, when speaking of "the people," I use the term not with the somewhat patronizing inflection, and in the rather limited sense, sometimes imparted to it, but that I include in it the well-to-do, the successful, the learned, the distinguished, as well as "the butcher, the baker, the candlestick maker," and so forth.

* * * * * * *

The art of living.

It seems to me that, when speaking of the arts, we must not overlook the art of living.

Walter Pater, in his great book, "The Renaissance," says: "We have an interval, and then our place knows us no more. . . . Our one chance lies in expanding that interval, in getting as many pulsations as possible into the given time." He urges an activity which "does yield you this fruit of a quickened, multiplied consciousness," and he puts foremost among the means available toward that end the cultivation of beauty and art.

Whether or not we share this viewpoint and appraisal, there can be no doubt that no life is quite complete, however worthy, useful and successful it may be, which does not include a responsiveness to the call of beauty and art, which has not known the thrill that comes from these things.

* * * * * * *

When the right to vote was first given to broad masses of the people in England, a great aristocrat said, "Now,

* An address at the Annual Dinner of the American Federation of Arts held in Washington on May 16, 1924.

we must educate our masters." He was right. He enunciated a theory which many years earlier had been adopted as basic in the conception of democracy in America.

Education should envisage brain, character and soul.

But education that envisages merely the brain is a lopsided thing. To be complete, to fulfill its true purpose, it must not only envisage likewise the training of character, but it must also foster taste and seek to minister to that subtle, undefinable and multipotent thing which we call the soul.

The lives of the vast majority of the people are cast upon a background of sameness and routine. Perhaps that may be unavoidable. The world's daily work has got to be done. But all the more reason and needfulness for opening up, for making readily and widely accessible, and for cultivating, those pastures where beauty and inspiration may be gathered by all.

We all, rich and poor alike, need to give our souls an airing once in a while. We need to exercise the muscles of our inner selves just as we exercise those of our bodies. We must have outlets for our emotions. Qualities and impulses of the right kind, when given due scope, enhance the zest and happiness of our lives; when thwarted, starved or denied, they are apt to turn to poison within us.

Some of the unrest, the unruliness, the transgressions even, of the day, some of the seeking after sensations, some of the manifestations of extreme and subversive tendencies, arise in no small part, I believe, from an impulse of reaction against the humdrumness and lack of inspirational opportunity of everyday existence. Much can be done by art to give satisfaction to that natural and legitimate impulse and to lead it into fruitful channels instead of letting it run a misguided, or even destructive, course.

* * * * * * *

Art is not the plaything of opulence. It is robust, red-blooded, deep-rooted and universal. It is true equality of opportunity. In a world too much given to accentuate the things which divide us, it is one of those fundamental elements which unite us and make us kin in common understanding, common feelings, common reactions. It is true democracy, knowing nothing of caste, class or rank. It may bestow its choicest gifts upon utter poverty; it may deny them entirely to great wealth.

Art is truest League of Nations

Art is the truest League of Nations, speaking a language and preaching a message understood by all peoples.

For ten years the world has been sadly out of gear. Governments, Parliaments, diplomats, politicians, have vainly tried to set it right. The devil's visitation which was let loose upon the world ten years ago, and from the aftermath of which it has not yet been able to free itself, arose from an accursed aberration of the spirit. Its baneful effects can be wholly banished only by the power of the spirit, mobilized and marshaled for high and righteous aims. Among those fields where the rare and benign herbs grow, from which healing may be gathered for the ills of the world, one of the most fecund is that of art.

Art is a mighty element for civic progress. It leads us to seek and to appreciate that which is high, worthy and exalting, and to despise, and to turn away from, that which is vulgar, cheap and degrading.

* * * * * * *

It is no copy-book maxim but sober truth to say that to have appreciation of, and understanding for, art is to have one of the most genuine and remunerative forms of wealth which it is given to mortal man to possess. I measure my words when I say that not the most profitable transaction of my business career has brought me results comparable in value and in lasting yield to those which I derived from the investment of hearing, in my early

youth, let us say, "Tristan and Isolde," or seeing Botticelli's "Primavera." Moreover, the dividends which we receive from the appreciation of beauty and the cultivation of art are wholly "tax-exempt." No surtaxes can diminish them; no Bolshevik can take them away from us.

Art a "fountain of youth."

Art is a veritable "fountain of youth." The ancients had a saying, "Those whom the gods love, die young." I would interpret that saying to mean, not that those favored by the gods die young in years, but that by the grace of the gods they remain young to their dying day, however long that be deferred. I venture to question whether there is any tonic as stimulating, any gland-transplantation as rejuvenating, as is the quickening of the blood, the stirring up of the inner, deeper self, which the powerful medicine of art can bring about. Those who love art and are truly susceptible to its spell, do die young in the sense that they remain young to their dying day.

* * * * * * *

Such observations as I have had opportunity to make —and the opportunities have been frequent and varied— have convinced me that there are many millions of the plain people whose souls are hungry, whose ears are open to the call of art, whose eyes light up at her approach, whose voices welcome her with enthusiastic gladness.

"You can trust the people," even in art.

These observations have convinced me, too, that "you can trust the people" even in art. That does not mean that every "horny-handed son of toil" is qualified to become an art connoisseur. It does not mean that the people, by and large, whatever their station, are *born* with good taste. On the contrary, the vast majority, whether of rich or poor parentage, are *born* with a natural tendency to respond to the garish, vivid and obvious rather than the mellow, restrained and æsthetic.

It does mean that the masses of the American people are susceptible to the message of true art, that they are

responsive to education and example in art, that they welcome and gladly follow leadership on the road to knowledge and discernment, that they are eager to learn and quick to perceive, and that, once they have become imbued with correct standards of appreciation, they may generally be trusted to retain and apply them. As one conspicuous illustration of this, I need only point to the style of architecture which now prevails in America for buildings, public or private, large or small, as compared to what it was a generation ago.

Much yet remains to be done for the popularization of art, the training of taste, and the providing of opportunity for artistic talent and ambition, but a great deal has been done of late years, and more and more is being done to excellent effect.

* * * * * * *

I believe, speaking generally, and with those reservations which are inherent in the huge size of our country and the vastness of its population, it is not too much to say that the American standard of art *appreciation* has reached a point where it is either equal or superior to that prevailing among the peoples of Europe, with very few exceptions.

Foreign artists who have come to our shores—at times with erroneous preconceptions—have become well aware of this. They have learned that in this country may be found exacting and accurate judgment together with keen and generous appreciation. Time was when America was looked upon as the happy hunting ground for charlatanism in art and for the exploitation of reputations worn threadbare. That time has passed. Artistic success in America has now come to be considered everywhere as highly to be valued.

It may be mentioned in this connection as a circumstance significant of American development in the last

two decades that the scoffer at art has gone completely out of fashion. He who would indulge in jeers and gibes at serious art movements, who would disparage and slight, let alone hinder or oppose, art, finds listeners or followers in America no longer.

Art established in unassailable position in America.

Art has overrun and captured the trenches which were held against her by incomprehension, indifference and prejudice, and, passing beyond, has firmly established herself in an unassailable position. She stands respected by all, revered by many.

It has been a source of wonderment to me, many a time, how frequently "the people" are underestimated by those who seek their votes or their patronage. Too many of our politicians seem to think that the people want and need to be coddled and flattered and "soft-soaped," although experience has shown that the royal road to popular success is to demonstrate courage and independence and to stand up man-fashion for one's convictions. Similarly, while it is gratifying to record the great and auspicious progress of the American stage within the recent past, we still meet purveyors of theatrical wares who seem to think that they must play down to an assumed level of public shallowness and "tired business man" standards, although experience has shown that the greatest probability of scoring a hit is in aiming high.

* * * * * * *

Teaching the people to learn.

The American Federation of Arts, with faith in the people and with understanding of the people, is pointing the way along the road which leads to the heights. It is calling the people to follow, and it is not calling in vain. A distinguished writer has said: "There is only one thing that can be taught: by wise teachers, by love, by example, by privation, by sorrow, by life, we can be taught to learn. Beyond that, although everything may be *learned,* hardly anything can be *taught.*" In the fine sense

of these pregnant words, your Federation is indeed teaching the people to learn.

* * * * * * *

Shortly after victory had been won in the late war, Mr. Lloyd George made a speech in which, referring to the armies returning home, he pledged his aid to "make England a country fit for heroes to live in."

Far be it from me to fail in admiring and grateful recognition of the glorious heroism of those, Americans and others, with whose blood, willingly shed in a noble cause, victory was written upon the banners of America and her Allies. But there is another kind of heroism—less stirring, less impressive, not recorded in the book of fame, but no less real. It is that of the many millions of average men and women who, in meeting the tasks of the workaday world, practice the brave and simple philosophy of righteous living; who, uncheered by comrades, unstimulated by the ardor of battle, unrewarded by renown, contribute to the common cause daily acts of self-discipline and self-denial, of honor and of duty and of faith.

Heroism of "unknown soldier" of battle of life.

It is one of the noblest achievements in the upward struggle of humanity through the ages—this habitual, homely, ingrained heroism of the rank and file, of the "unknown soldier" of the battle of life.

To those people, the plain men and women of America, you are bringing true enrichment. You are enhancing the wages of their lives by aiding them to find, and to have access to, the joys and inspirations, the compensation and solace, which are derivable from art.

The American Federation of Arts is performing with admirable public spirit and efficiency a valuable service of twofold purport: It is bringing art to the people, and it is bringing the people to art.

THE "MOVIE" *

Our attitude toward success.

THERE exists a curious contrast between our attitude toward the thing called success and toward those corporations or individuals who have contrived conspicuously to attain it. We inculcate into our youth lessons of industry and assiduous application, we stimulate their ambition, we hold out the incentive of liberal reward to those who, climbing along the steep road of effort, reach or approach the summit, we preach the gospel of enterprise, we give popular encouragement to the "go-getter" and the "world-beater"—but when they have accomplished what we have spurred them on to strive for with all their might, the bricks of criticism, abuse and suspicion are apt to fly in profusion around their heads.

In certain of our undertakings and achievements, we admittedly lead the world. Men from all countries come here to admire them and study them and learn from them.

Again and again have I heard visitors from Europe express their amazement at finding men and things belittled, criticized and assailed, that to them were objects of respectful emulation, and that they had expected to see surrounded by an atmosphere of public encouragemen and encomium.

We pride ourselves on the bigness and superiority of our industrial achievements, and at the same time we are addicted to the pastime of "knocking" the individuals who are the master-builders of those achievements.

Democracy is right in guarding jealously against indus-

* An address at the Banquet of the Authors' League Committee in Charge of the International Congress on Motion Picture Arts, June 8, 1923.

trial usurpation, and in striving to keep open the avenues of opportunity. It is right in throwing a "fierce light" upon those in dominant places of finance and commerce and in being intolerant of smug self-complacency or of overbearance or greed among those in positions of leadership. But democracy is wrong when, listening to the voice of envy and demagogy, it permits wanton harassing and baiting. It is wrong when it countenances governmental commissions giving to reckless innuendo, irresponsible gossip and sensational exaggeration the place and scope that belong to trustworthy testimony, when it tolerates unwarranted assault on the reputation of business men, with resulting damage to the good name of American business both at home and in foreign lands.

Right and wrong in democracy.

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That the motion picture industry and conspicuously successful concerns and individuals connected with it would not escape criticism, detraction and attack was a foregone conclusion. I hold no brief for either the industry or the corporations and individuals concerned. But it is fitting that certain things should be remembered and fairly weighed in the balance:

The motion picture was born barely a dozen years ago. It was in no sense a monopoly. Its exploitation was open to everybody. The field was absolutely free.

Those in possession of, or with access to, large capital, looked at it askance. It was men of small means, self-made men, starting from the bottom of the ladder, who discerned, and set about to realize, its potentialities, and staked their savings, their credit, their solvency, on the attempt. Many fell by the wayside. A limited number achieved great success by dint of strenuous work, adherence to sound business methods, bold and broad vision, and unusual organizing ability.

The men who made the movies.

Having no precedents or traditions to guide them, working in a wholly novel and untried field, educating

themselves as they went along, being driven far beyond their original planning by the incredible rapidity and vastness of the growth of the young giant whom they had helped to nurture, they would have had to be more than human to show a record one hundred per cent praiseworthy, free from errors and unmarred by yielding to temptations.

But, as against such shortcomings, let us contemplate the picture of the stupendous things which the American "movie" industry has accomplished under the guidance and impulse of those men.

An infant industry, a boisterous and untutored stripling! Yet, it has jumped into the very front rank among our old-established industries. It has produced untold millions of new national values and wealth. It has created employment for hundreds of thousands. It has brought a new means of enjoyment and education into the lives of the masses and has broadened their horizon, stimulated their interests and enriched their leisure hours. It has conquered the world for the American "movie." It has attained technical perfection unrivaled in any other country. It is laying the basis for the manifestation and growth of a new and genuine American art. In no other country of the world has there been a development of this new medium of enjoyment, interest and enlightenment, comparable to the development in America.

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A get-together meeting; frank expression of views.

Now, this is a get-together meeting, and we are expected to express our views frankly and to bring forward such well-intentioned suggestions as may occur to us. So, here are mine, respectfully submitted for what they may be worth:

(1) Cast your bread upon the waters, once in a while. No one has ever made an outstanding and lasting success in American business, if his motives and his methods were measured merely by the yardstick of dollars and cents.

Mix a degree of idealism, even of romanticism, with your practical considerations. You will find it a most effective mixture.

(2) Don't underestimate your public. Don't think you have got to play down to an assumed low level of popular taste and understanding. While the taste of the American masses may be untutored, they have a strong intuitive appreciation of the things that are worth while. While it is true that success has sometimes come to stage or screen productions which do not merit it, on the other hand there are very few instances indeed where productions have failed that deserved to succeed. In art as in everything else the American people like to be led upward and onward. They may at times worship at the shrine of false gods, but let the right god come along, and they will recognize him and follow him gladly. You are far more likely to make a hit by aiming high than by aiming low. And you need never fear getting "over the heads" of the people, if you know how to reach their souls.

(3) It is trite to speak of the vast influence which the moving picture exercises upon the people. Nor need I point out that responsibility is always commensurate with influence. What I should like to emphasize is that this responsibility is particularly weighty in a country like ours, in which traditions have not yet struck as deep root as they have in Europe, both because it is a young country and because its population is composed of a vast mixture of races.

An additional element of the responsibility resting upon the leaders of the "movie" industry consists in the fact that American pictures are shown all over the world, and that they thus are an important factor in shaping the ideas and the opinions of the peoples everywhere concerning our country.

A vast power is thus entrusted to your keeping. Both

self-interest and patriotism call upon you to use it with all the wisdom at your command and with a constant sense of the magnitude and importance of the task and the trust.

(4) Don't get into a rut. Vary your formula. Strike out along new paths, once in a while. Sameness, mere routine, however successful for a time, spell retrogression and decay in the long run. Standardization and art are deadly enemies.

(5) There is a popular impression that the motion picture industry is conducted on unduly extravagant lines, and that owing to the resulting enormous cost of production, its managers and guiding spirits are too much influenced by the consideration of assuring, in every instance, commercial success.

I am not in a position to judge whether that popular impression is well founded. I would merely submit that wastefulness is a mortal economic sin and, moreover, a standing invitation to competitive attack.

"Safety first" is not a good motto for the "movie" industry. Neither is "safety last." Along with the production of your "safe" pictures, you ought to be willing, and you ought to be able to afford, to do some pioneering, venturing, experimenting, some risking of losses. It is out of the ingredients of failures that advance is engendered.

(6) "The play's the thing," after all, not the technique, however important the place of the latter. In other words, respect and heed the author.

There are reports that the producer, from the height of his practical experience, is somewhat prone to look down upon, and overrule, the author's views and wishes in the concrete presentation of his conceptions. If so, that cannot make for the best results. The closer the teamwork and understanding between director and au-

thor, and the more free and willing the reciprocal reaction, the greater the gain for the product.

In what precise way the balance is to be struck between the respective functions and ideas of the author and the producing director, is a question on which I would not venture to express an opinion. That a way must be found to adjust this as yet unsolved problem if the screen performance is to realize its potentialities as an art, seems to be self-evident.

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If these suggestions are too outspoken or found to be without adequate merit, I would offer two pleas in mitigation: first, well-meaning intent, and secondly, that intensity of interest which springs from a thorough appreciation of the vast importance and potentialities of the "movie" as an industry, a social influence, and an art.

MARY GARDEN *

LET me begin by repeating a story that I heard Mr. Charles Schwab tell recently.

He and Mr. Andrew Carnegie were staying together in the country, somewhere in the south, and, going for a walk, came by a "darky" church. The thought occurred to them to drop in. They sat down on the last bench.

At the end of the service, the preacher announced that the church badly needed painting and various other repairs, and that a collection would be taken up for that purpose. When the plate came around to Carnegie and Schwab, they each put in a ten-dollar bill.

After the completion of the process of collecting, the plate was handed to the preacher. He poured out its contents, consisting of five-cent pieces, dimes and quarters, and suddenly he came to the two ten-dollar bills. His eyes grew as big and round as saucers, and he proclaimed in a voice quavering with agitation: "The painting of this church will begin tomorrow morning and the repairing of the fence will begin tomorrow morning [great applause by the congregation]—hold on!—wait a bit!—*if*—that is—*if* the two ten-dollar bills put into the plate by those two Northern visitors are not *counterfeit.*"

Some after-dinner eulogies are counterfeit.

Not a few things that are being said and done in the course of life's routine are, I am afraid, justly subject to the suspicion of being counterfeit. Conspicuous among those things are after-dinner eulogies. Now, I propose to be one hundred per cent truthful in what I am going

* An address delivered at the Lotos Club dinner in honor of Mary Garden, at New York, January 29, 1922.

to say, first because, fortunately, it is possible to do justice to the occasion without departing from that exalted standard of virtue, and secondly because, in a life which has brought me in contact with all sorts and conditions of men and women, I have learned that the man who can fool a clever woman, such as our guest of honor this evening, who can make her believe that what he says to her is what he means when, in fact, he neither thinks nor feels it, that man has not yet been born.

There is only one reservation to that general rule, namely, when a clever woman is in love with a man. But even then, it is not his skill in deceiving or dissembling that is fooling her. Rather, she is deliberately tampering with the natural functionings of her eyes and her ears and her brain and voluntarily lets him fool her. Inasmuch as, I regret to say, the present speaker can lay claim to no such indulgence on the part of the present guest of honor, he will take pains, in the remarks which are to follow, to weigh his words on the scale of one hundred per cent truthfulness.

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Mary Garden, you are more than a singer, you are a great creative artist. You are an apostle and exponent of beauty. You have brought joy and inspiration to hundreds of thousands. We owe you a large debt of gratitude.

A typically American combination of qualities.

And, secondly, you are a great individuality. No one can come in contact with you without feeling the spell of your personality. You are true to yourself, you have the courage of your artistic convictions, you are utterly unafraid. In an unusual degree you exemplify in your person and career those qualities which in their combination we like to look upon as typically American: vision, daring, capacity, dynamic energy, shrewd common sense, and idealism.

They say you are capricious. I dare say you are. I

hope you are, for I have never known a great artist who was not. If you were built internally on the lines of the dull regularity and conventional correctness of Jane Jones or Sarah Smith, you would not be Mary Garden.

Just as Abraham Lincoln, when he was warned that General Grant absorbed a good deal of whisky, is reported to have said that he wished every one of the generals in the army would imbibe that particular brand of whisky, so I wish more artists had your brand of capriciousness, and I trust that what some unfavorably disposed people call your temper and your tantrums may be preserved to you for many years, because they are the concomitants and companions of your artistic nature.

Mary Garden as impresario.

Thirdly, I address you in your capacity as impresario. Here, the stipulation, which I have proclaimed, of undeviating honesty, compels me to check my utterance for the simple reason that in that capacity I have known you for one week only. That is too short a period of observation to justify me in holding forth on the subject of your achievements in that line of activity. But I do know from competent critics that in Chicago, during the season just ended, a new spirit appeared to have been infused into the company, and that the public was enthusiastic in its reception and praise of the performances under your direction. And I know further that it is the general verdict that in the performances the Chicago Opera has given here thus far in the course of its present season, it has attained higher rank artistically than on any previous visit.

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I have no idea whether or not you are going to stick to the job of directing opera. It is a hard job, and a wearing one. If you do choose to stick to it, I am satisfied that you will make a success of it, because you have the gifts and the determination to succeed in everything you touch. What you are going to touch, God only

knows! Maybe, some day, we shall see you as Senator from Illinois. You certainly have had experiences tending to qualify you to participate in an international conference, though how far you would go on the road of peace and disarmament may perhaps be open to question, if recent newspaper stories may be believed.

You tell us that with the close of this season, the Chicago Opera Company will cease to come to New York. Personally, and in my capacity as Chairman of the Board of the Metropolitan Opera Company, I regret this decision sincerely. Lest, by saying this, I might put too severe a strain upon your belief in my adherence to the standard of truthfulness which I have announced for this speech, I will state some of the reasons for that regret.

First, while I love the Metropolitan Opera, I love art more. We do earnestly seek to cultivate high art standards at the Metropolitan, and I hope and believe we are measurably attaining them in our productions; but wherever else I can find the genuine article, I welcome it and rejoice in it.

Monopoly apt to lead to stagnant self-complacency.

Secondly, I believe in the stimulus of competition, in difficulties, obstacles and the compulsion of fighting to gain and hold your position. I like these things because they mean zest and keenness and effort and progress. And I dislike monopoly because too often and too easily it leads to routine and stagnant self-complacency.

We of the Metropolitan submit what we venture to believe is a just claim for the approbation of the art-loving public of New York, but still, a little prodding and pushing once in a while can do us no harm. I have always held and said that an annual season of limited duration by a rival worthy of our steel, is a useful and desirable thing. If, with all the advantages we possess, we were not able to hold our own in such a competition, we should indeed be presenting a sorry spectacle.

Thirdly, it is a well-established economic fact that the demand creates the supply. But to a large extent it is also true that the supply creates the demand. I recall that when the project for building additional subways was under discussion some years ago, a considerable degree of apprehension was aroused among interested parties that the traffic on the existing subways would be seriously reduced by the new lines. As a matter of fact, it was soon found that the increase in facilities brought about almost immediately a commensurate increase in use. A new army of subway passengers was created and added to the host already in existence, and after a very short while the enlarged supply was much more than equalized by the enlarged demand.

Stimulating and broadening the demand for opera.

And so, I believe, the greater supply of opera through your organization's visits to New York has created a greater number of opera-goers. Certain it is that the attendance at the Metropolitan Opera has not decreased since the Chicago Company's invasion. I have no doubt that you and your company have helped to stimulate and broaden the demand for opera. You have recruited new opera-goers and, so far from harming the Metropolitan, you have done us a service and done a service, too, to the public of New York.

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Please let me assure you that all this philosophy of welcome is not predicated on the expectation of your ceasing to come to New York. Years ago when the late Cleofonte Campanini spoke to me about the plan of an annual visit by the Chicago Company to this city, I encouraged him to carry that plan into effect. Indeed, I told him that I was willing to aid in forming a Committee of Patronage among influential New Yorkers, and to participate in subscribing to an underwriting fund toward meeting the inevitable deficit.

(I seem to observe that my friend, Harold McCormick, looks a little surprised at this statement. I suppose he has in mind a slightly acidulous correspondence that took place between him and myself on the subject of the Chicago Company's coming to New York, a few years ago. He will permit me to recall to him that the acidity related not to the matter of the project, but to the manner and the spirit in respect of certain preliminaries.)

The Metropolitan's attitude toward the Chicago Opera.

At any rate, I made the offer aforesaid, but it appears that it did not meet with favor, for I never heard anything more about it. I suppose our Chicago friends were afraid of Greeks bearing gifts. Indeed, more than one instance seemed to justify the conclusion that those in charge of the Chicago Company were strangely impregnated with the impression that we of the Metropolitan Opera wished them ill. Only a week or so ago a statement attributed to one of the leading sponsors of the Company appeared in the Chicago papers, referring, among other things, to the alleged fact that we had long endeavored, and were still endeavoring, to do harm to our Western operatic sister.

Nothing is further from the truth. It would have been equally mean, futile and foolish if we had acted, or attempted to act, in such a spirit, apart from the fact that there is no earthly reason why we should. I trust that you, Miss Garden, never did attach credence to any such mischievous reports and will not attach credence to them in the future.

Let me add that you are entirely safe also in attaching no credence to any suggestion that may come to you, which would represent the Metropolitan as endeavoring to tempt away, through financial inducements, any artists under engagement to the Chicago Company. You are entirely safe in considering such reports, if they come to you, as due to artistic imagination, stimulated by a de-

sire for increased emoluments, on the part of those from whom they emanate.

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On behalf of the Metropolitan Opera let me assure you: We wish well to you, Miss Garden, individually, and we wish well to your Company. Very sincerely we hold out to you the hand of friendship, of comradeship and of coöperation.

Opera not the toy of Fifth Avenue.

You and we are engaged in a worthy cultural task. Opera is not the toy of Fifth Avenue; it has an important and cherished place in the lives of masses of people whose souls are hungry for the joys and inspirations which it brings.

You have found the same thing in Chicago, and you will find it, I am sure, in all the places which your Company will visit on its tours. Indeed, you may find it there to a possibly even greater and more intense degree than in New York and in Chicago, because people in those places have offered to them so much smaller a supply of artistic wares, and also because they have more leisure to think and feel than have those living in the crowded and rushing cities of Chicago and New York.

It has long been acknowledged that one of the essential prerequisites for the propitious functioning of popular government is education. Yes, but what genuine democracy calls for is not only education of brain and character, but also education of taste and of the soul.

Teaching the masses to exercise the muscles of their souls.

To help awaken and foster among the people the love and the understanding of that which is beautiful and inspiring, and aversion for that which is vulgar, cheap and degrading; to teach the masses how best to exercise the muscles of their souls; to provide opportunities for them to give an airing to their innermost feelings once in a while; to furnish them an outlet for their emotions repressed all too tightly in the drudgery and commonplace routine of life—all these things call loudly to be done.

You are aiding valiantly and effectively in that high task. When the record of the development of American art in our generation comes to be written, a page of honor and gratitude will be inscribed with the name of Mary Garden.

ANTONIO SCOTTI'S JUBILEE AT THE METROPOLITAN *

ANTONIO SCOTTI: As Chairman of the Metropolitan Opera Company, it is my great privilege this evening, on the occasion of the celebration of the twenty-fifth year of your affiliation with the Metropolitan Opera, to express to you our gratitude, our esteem, our admiration, and our affection. I know that in doing so I am voicing the sentiment of all those who are assembled here tonight, and of many thousands of others to whom your name has long been a household word, standing for the best and highest in operatic art.

Superlatives have become trite.

We are so used to the employment of superlatives that when the rare occasion arises which really does call for superlatives, we find that words are inadequate to convey the full measure of our feelings. They are particularly inadequate when spoken in a place which still thrills to the emotions which you and your fellow-artists aroused in us by the performance which has just come to a close.

It strikes me that, instead of my addressing you in the measured terms of a speech, the right way to handle this ceremony would be a pantomime with music, somewhat on the lines of "Coq d'Or." I ought to stand here going through the motions of making a speech, while lovely voices to lovely music sing an ode to Scotti, and lovely women place a laurel wreath upon your brow. I throw this out as a suggestion for my successor at your fifty years' jubilee.

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* An address at the gala performance at the Metropolitan Opera House, New York, in honor of Antonio Scotti's twenty-fifth anniversary as a member of the organization, January 1, 1924.

You are my old and dear and admired friend. You are the old and dear and admired friend of all of us. One of the traditional functions of friendship is to say unpleasant things to a friend's face, on the alleged ground that they are wholesomely and helpfully true. It is a rare privilege to stand before a friend as we do this evening and be able to say things to him which are literally true and yet wholly pleasant.

You are a great artist and a great gentleman. As your voice and art ring true, so does your character. Frequently a villain on the stage, as falls to the lot of the baritone, in real life you are beloved by all who know you and recognize in you those qualities of kindliness, honor, loyalty, helpfulness and unaffected modesty, which are part and parcel of your nature.

As an artist, you have stood worthily with the greatest of two generations, one of the glories of this stage, ranking in the affection and admiration of the public of this House among the foremost in the radiant galaxy of stars of the past and the present. And the public of this House is a wary, wise and discriminating one, which does not bestow its affection and admiration easily.

Has stood with the greatest of two generations.

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It is said that great artists are born, not made. True, but they are not *born made*. To reach the height which you have reached, and to maintain yourself there, is not an achievement resulting merely from the accident of birth. A fine voice, a fine presence and histrionic abilities are not sufficient by themselves to accomplish the eminence which you have attained.

Art is a severe and exacting taskmistress. To grant the prize such as she has awarded to you, she demands laborious and exacting study in youth, when the groundwork is being laid, followed by painstaking daily work, by constant and conscientious application, by unremitting self-discipline and self-scrutiny. She demands undevi-

ating adherence to the highest standards, she demands that the artist give to his public always the very best that is in him, she demands that he have an ideal and strive for it ceaselessly.

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A unique record.

Mr. Gatti-Casazza—and he is a veritable encyclopedia of operatic history and culture, and what he does not know about these things is not worth knowing—tells me that the record which we are celebrating this evening is unique, and that there is no other instance in the annals of opera of an artist having appeared in leading rôles at the same operatic institution for an uninterrupted term of twenty-five years.

Looking at you from either the physical or the artistic aspect, it seems hardly credible that the count can be correct, according to which it is twenty-five years since you first came here to set female hearts a-flutter, and to rejoice all hearts by your consummate art.

Nothing seems to have changed. Your hair is as black, your stride as springy, your figure as slender and lithe as ever. And, from what Madame Jeritza tells me of her condition of black-and-blueness after *Scarpia's* somewhat peculiar wooing and Apache-like love-making in the second act of "Tosca," the power of your muscles seems undiminished.

And you still set female hearts a-flutter, and you still rejoice all hearts by the perfection of your art.

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Our warmest good wishes, our sincerest regard, our sympathy and love will be with you always. In a more picturesque and spacious age, we should have assembled in a public square and crowned you as the good people of Nuremberg crowned their master singer, Hans Sachs. Failing that, we have gathered here, representing all callings and stations of the people of this city, to acclaim you and to present to you a few tokens of our homage.

THE METROPOLITAN OPERA*

I

THERE is a legend which, in the minds of some people, has become a veritable obsession to which, from time to time, they give strident public expression. I refer to the fable that the Metropolitan Opera is not sufficiently conscious of the fact of its being an American institution, and that it is lukewarm toward, and, indeed, discriminates against, American art and artists.

A preposterous allegation.

The allegation, on the face of it, is preposterous. For every action or course of conduct there must be a motive. What possible motive could there be for an organization founded by Americans, situated in America, dependent for its existence upon the patronage of the American public, administered by a Board of Directors all of whom are Americans, to serve foreign art rather than American art?

It is true that the General Manager, Mr. Gatti-Casazza, is a foreigner (ably supported by the Assistant General Manager, Mr. Edward Ziegler, who is a native American), and that most of the conductors are foreigners. But all these men realize, as is most natural that they would realize, that they are here as servants of art in America, that they can remain here only as such, and can get no satisfaction out of their work unless they regard it in that light and spirit.

In all the years that I have been connected with the Metropolitan Opera, I do not know of a single instance

*A statement made by the author in his capacity as President of the Metropolitan Opera Company on October 5, 1925.

where there was even remote reason to suspect that the manager or any of the conductors favored the engagement of an artist or the production of a work of art because of the country they came from, or that they were guilty of the folly and disloyalty of opposing, or failing to do justice to, American art and artists because they were American. In fact, Mr. Gatti-Casazza is constantly being criticized in Italy because there is not, and has not been during his entire administration, an Italian woman artist engaged to sing leading rôles at the Metropolitan—with the sole exceptions of Madame Galli-Curci and Madame Muzio—the simple reason for this apparent discrimination being, of course, that it so happened that there were American women or women of other non-Italian nationality, whose qualifications made them more eligible.

II

The policy of the Metropolitan Opera.

The policy of the Metropolitan Opera Company, and the way in which it conceives its functions and its duty, are quite plain and clear. They are: first, to make every effort to give opera in the best possible manner, according to its judgment and ability; secondly, in order to accomplish that purpose, to bring here the best available talent from everywhere; and thirdly, *other things being equal,* to give preference to American art and American artists over foreign art and foreign artists. The Metropolitan Opera does not believe itself called upon to lower its standards for the sake of proving its "Americanism," nor does it feel that by doing so it would best serve the cause of art in America or please its patrons or even be able to retain their patronage.

That same policy with respect to the engagement of artists was followed by those responsible for the Metropolitan Opera in past years, when the General Manager

was an American. That same policy was followed by the Boston Grand Opera, organized and administered by a Board of New England Americans. It is being followed by the Chicago Grand Opera, organized, administered and managed by Illinois Americans, and by the (summer season) Grand Opera of Ravinia, directed and generously sustained by an art-loving citizen of Chicago. It is being followed by all of the great orchestral organizations of the country, the Philharmonic and the Symphony Society of New York, the Orchestras of Philadelphia, of Boston, of Chicago, of Cincinnati, of Detroit, of Minneapolis, of Cleveland, of San Francisco, Mr. George Eastman's Orchestra in Rochester, and so forth, —all of which organizations engage foreign singers and virtuosi according to their qualifications, side by side with Americans, precisely as the Metropolitan does, and all of which, as it happens, have as their principal conductors at present men of foreign birth and, in most cases, of foreign nationality.

Are all these organizations, operatic and orchestral, scattered as they are throughout the country, administered as they are under the responsibility, and supported by the liberality, of public-spirited Americans—are all these organizations lacking in "Americanism" and deficient in sympathy for American art and artists? Is not the explanation rather that the men who direct them and the public who patronize them, believe that by taking the best wherever it can be found and enlisting it for service in America, they are most effectively promoting, in the longer outlook, the cause and progress of American art?

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American and foreign singers.

Neither is there any truth whatever in the allegation publicly uttered from time to time by vociferous but inadequately informed champions of American singers, that such singers, when they are engaged by the Metro-

politan Opera, are paid on a scale less liberal than that which prevails in the case of foreign artists. The differentiation does not lie in the fact that some are foreigners and some are Americans, but in the fact that some sing leading parts and some sing minor parts.

The salary a singer receives does not depend on his or her nationality or name or even reputation, but upon his or her qualifications (including therein the possession of stage experience, operatic routine, and an ample repertoire) and the degree of favor and interest which the public indicates toward him or her. It would be manifestly improper to give details as to the salaries which are being paid to artists, whether American or foreign, who, at present, are appearing at the Metropolitan Opera House. But it is betraying no secret to say that Geraldine Farrar, in the last few years of her engagement at the Metropolitan Opera, was in receipt of a higher salary than was being paid to any other woman singer, and that, for instance, Mme. Nordica and Mme. Eames, Americans both, received salaries, when singing at the Metropolitan Opera House, as high as were being paid to any other woman singer.

It is worth mentioning, by the way, that, as compared to seven American singers who were engaged at the Metropolitan under the management of the American Grau, there are now (1924-1925), under the management of the Italian Gatti-Casazza, more than thirty American singers engaged at the Metropolitan, a number of them for leading parts (in addition to which a considerable proportion of the chorus and most of the ballet are composed of Americans).

"Pull" no element in selecting artists.

It is also worth mentioning that, so far from any "pull" being requisite to find an engagement at the Metropolitan, most of these American artists now members of that organization, were wholly unsupported by

sponsorship, and all of them were selected solely for what the management judged to be their artistic qualifications, and from no other consideration whatever.

And it is further worth mentioning that, under the management of the Italian Gatti-Casazza, the Metropolitan has produced, thus far, nine operas and one ballet by American composers, while not a single work composed by an American was produced at the Metropolitan Opera House under any of the preceding managements.

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Opportunities for American composers.

As to opportunities for American composers, the fact is that, in these days of multiplied orchestras, there is a constant and eager search for novelties which give promise of being interesting to, and successful with, the public, and it is, naturally, a particular "kudos," advertisement and satisfaction to a manager or leader of an orchestra to discover such novelties by an American composer.

The same holds good in the case of operas by American composers. In view of the painfully apparent dearth of new operas which have gained, or deserved to gain, popular approval, it is manifest that the Metropolitan management, if merely from self-interest, would be only too happy to find new works for which such approval might be prognosticated, and it would, of course, be a particularly bright feather in its cap if they were of American authorship. It is no fault of the Metropolitan that no opera by an American composer, though no pains were spared in the rehearsal and production of such works as were performed at the Metropolitan, has as yet succeeded in holding the interest of the public sufficiently to be included in the permanent repertoire.

It is neither publicists nor managers, but the audience, with whom the verdict rests in the final analysis, and whose judgment is controlling.

III

Lack of opportunity in America for young operatic talent.

What *is* true, undeniably and very regrettably true, is that there is far from sufficient opportunity for the plentiful young talent which exists in this country, to obtain stage routine, acquire a repertoire in practice and find fitting operatic engagements. That again is not the fault of the Metropolitan. The public of the Metropolitan demands the best. It will gladly give generous recognition and encouragement to young American talent, but at the same time it requires the maintenance of "Metropolitan" standards. The Metropolitan is not equipped nor designed, as a general proposition, to train beginners, nor, with the vast exactions of its routine and with its staff worked to the limit as it is, can it, as a rule, take upon itself the responsibility and task of doing so.

We of the Metropolitan are only too glad to give to the American composer and the American singer the most favoring opportunity and consideration that we can conscientiously justify toward the Metropolitan's rightly exacting audiences. But the Metropolitan Opera is not, in justice to its patrons cannot be, in the preservation of its own standards cannot undertake the function of being, a laboratory, a training and experimenting ground for either composers or singers.

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There ought to be in America institutions designed to serve that important task, and I trust there will be in the not too distant future. There ought also to be ways and means devised for making it attractive (indeed, sometimes, even possible from the monetary point of view) for American composers to engage in the more ambitious forms of composition, such as operas or symphonies. There ought to be in this vast and rich country, as there have long been in Germany and Italy, a number of opera

houses in which young American singers can find appropriate opportunity to develop, to gain stage experience, to sing many different rôles, in short, to perfect themselves in such a way and to such a degree that they will be fitted finally to present themselves for engagement at the Metropolitan, not as raw and timid beginners, but as finished artists, equipped with adequate repertoires.

Operatic circuits suggested.

I hope earnestly that—through coöperation of a number of cities in given territories—operatic circuits will ultimately be established, each such city to have a regular opera season of its own for the duration of two, three or four weeks annually. A plentiful supply of talent will be found available upon which to draw. No greater and more promising service could be rendered to American singers and composers. A stimulating rivalry would develop among the several "circuits," and I feel sure that no city which has once joined the list of operatic centers and experienced the resulting benefits, materially and spiritually, will relinquish its operatic season thereafter.

Personally I shall be more than glad to do what may be in my power to be of service toward the realization of well-devised projects of that nature. Meanwhile, the Metropolitan Opera will continue to do what it can to encourage, and to give opportunity to, young American talent; but its possibilities for usefulness in that respect, with the best will in the world, are necessarily all too limited.

IV

Opera in English *versus* opera in the original text.

One of the principal indictments brought against the Metropolitan Opera by those who attribute to it lukewarmness, if not deliberately disserviceable intent, toward American art, is the fact that it continues to adhere to the tradition (from which no previous manage-

ment had departed) of presenting operas in the language to which they were composed.*

For that tradition, I, for one, am duly thankful. As long as the present Board of Directors is responsible for the affairs of the Metropolitan Opera, that old-established practice will not be altered.

Permit me to impose upon your patience by setting forth a few of the reasons which determine our views and attitude in that respect:

First. Every opera loses, and is bound to lose, by having the text, to which the composer set the music, twisted into the sound and rhythm of a different language. Especially since Wagner, the connection between the music and the tonal values of the original words is so close that the advantage of having the text understood—or, more probably, partially understood at best—is more than offset by the disadvantage of having the relation of accent and sound between text and music arbitrarily set aside. To preserve it, or even approximate it, defies, in many instances, the art of the most skillful translator, of which fact, but for the fear of wearying you, I could cite numerous illustrations.

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Second. The test of opera is the spirit which it evokes and the emotion which it produces. Opera is a thing of convention, an artificial thing in its very being. People in real life do not *sing* their actions, their love, their sentiments, their death. Opera does not have to be, it is not expected to be, a realistic portrayal in the sense in which that is required of the dramatic stage. Indeed, in the case of many of the older operas it is, in some respects, a

* There are a very few instances to the contrary—notably in the case of operas composed to texts in Russian—which I will not take your time to enumerate or explain. Suffice it to say that the existence of these exceptions does not affect the principle involved, nor does it possess any significance other than the simple one of expediency.

positive advantage for the effect sought to be produced, if the text is not literally understood by American audiences with their quick and strongly developed sense of humor.

The English language, in its very essence and spirit, does not lend itself to the inanities and flowery sentimentalities of many of the texts of the older operas. Other things to be found in those texts are so utterly trivial or downright silly that if sung in English, however mitigated, they could not but strike the American listener as ludicrous and could not but tend to disturb the frame of mind in which he absorbs the music.

As it is, these stark absurdities pass by either unnoticed, because the foreign language in which they are uttered is not familiar to the great majority of the audience, or, to the extent that they are understood, they pass by nevertheless, because you can sing things in the melody of Italian sound with impunity, which strike one as sheer drivel when expressed in English. Even in the case of the Wagner operas, such words as—to quote only one instance—Siegfried's exclamation "Das ist kein Mann!" ("That's not a man") on removing the shield which covers the reclining and sleeping Brünnehilde, usually a lady of well-rounded form, are perhaps better sung in a language not understood by the greater part of the audience.

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Third. It is never asked of concert singers that they sing Schubert, Schumann, Debussy, etc., in English, although in their case the understanding of the meaning of the words is not facilitated by action, as it is in opera. Why should it be asked of opera-singers?

I admit that opera at present is an exotic thing in this country, as it is in England. It will become a thing rooted in our own soil, not when and because it is sung to trans-

lated texts, but when and because Americans successfully compose operas to English texts.

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Fourth. It has been one of the underlying methods of the amazing development of this country to take and utilize the best, wherever it could find it. Under the system of presenting operas in the language to which they were composed, we have the greatest singers throughout the world to choose from.

What is true of the inevitable shortcomings of translated texts holds good also, in many instances, of "translated" voices—except as to singing in the Italian language, which is, of course, of all languages the one best adapted for singing, and especially operatic singing. True, the artists of some races, notably the Poles and many Americans, appear to possess the faculty of adapting themselves to singing in any language; but this is not at all the case with the French, Italians, and Spaniards, nor with the great majority of Germans and Austrians.

While English is by no means an unmelodious language to sing in, still it is a most difficult language for a foreign singer to handle because of the peculiarities of the pronunciation of its vowels and some of its consonants. Indeed, many American artists with whom I have had occasion to discuss the subject, have told me that they would rather sing in Italian than in any other language, even their own native tongue, and I do not know of any American artist among those engaged at the Metropolitan who prefers the system of "translated" opera to the existing system.

No doubt most foreign artists could and would, if their chance to find engagements in America depended on it, learn to sing in English after a fashion, but only after a fashion. Artists recruited from any of the Latin races, in particular, would never be able to appear at their best; they would never be able to produce the same

artistic results and effects when singing in English as when singing in that universal and most singable operatic language, Italian, or in their other respective tongues. In fact, I am strongly convinced that many foreign artists, however famous and eminent, would simply not do on the Metropolitan stage if they had to sing in English, if only because they would strike the American public as "funny."

Some of us did our best to get Caruso to learn to sing in German some of the lyric tenor rôles in the Wagnerian operas, such as Walter von Stolzing, Lohengrin and Tannhäuser. He tried conscientiously, but he simply could not master the task. The very *timbre* and quality of his voice, the style of his singing, changed when "translated" into German. When he appeared at German opera houses, he sang in Italian, while the rest of the company sang in German.

In short, if we were to make singing in English, that is to say, translated opera, compulsory upon the Metropolitan Opera stage, we should never hear foreign artists at their best, we should not hear American artists to greater advantage than we hear them now, we should much narrow the choice now open to us among the greatest operatic artists of the whole world, and New York would cease to be the preëminent operatic center which it has come to be.

Moreover, I know of no convincing indication that the bulk of American opera-goers have any pronounced preference for opera sung in English. It is an old and well-established truth that the demand creates the supply. If the patrons of opera had evinced a strong desire for opera translated into English, that desire would long since have been met. There are in existence several traveling opera companies which are in possession of no subsidy or backing, and wholly depend upon public patronage to make both ends meet. Most of them give opera in Italian.

Why, it may be asked, should they do so, if they could make a stronger appeal or enlist broader patronage by giving opera in English?

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Fifth. The argument frequently heard that opera in France, Germany and Italy is sung in the language of those respective countries and, therefore, we here should follow the same practice, is wholly fallacious.

In those countries they simply cannot afford the expense which is necessarily involved in the system prevailing at the Metropolitan and Chicago Operas and at the Royal Covent Garden Opera in London, of presenting operas, generally, in the language in which they were written. It is only in this country (besides London and certain cities of South America) that we can afford the cost of the artistic luxury of having operas presented exactly as they were composed.

It is not we who should envy, and seek to imitate, the practice of the European Continent in giving translated opera. It is the opera-goers of Europe who should envy us, as, in fact, their best informed artistic leaders do. Over and over again, I have heard visiting musicians from Europe comment enthusiastically upon the veritable revelation it was to them to hear, for instance, the standard Italian operas produced in the Italian style and in the Italian language.

The opera houses of the European Continent have made a virtue of necessity. Our system betokens not inferiority but superiority. Nor does it tend to hinder the cultivation and development of native operatic art. To adopt at the Metropolitan the European system of translated opera would not be progress, but retrogression.

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Sixth. By all this, I do not mean that I am opposed, indiscriminately, to the theory of translated opera. I am opposed to it as applied to the Metropolitan. Those

who would impose it on the Metropolitan, misjudge the function and the mission of that institution and fail to take into account, or be concerned about, the inevitable depreciation of its standard which the adoption of their views would bring about.

There *is* scope in this country, there is indeed a distinct and very useful place, for opera in the vernacular, but such scope and place are *by the side of,* and supplementary to, operatic institutions which, like the Metropolitan and the Chicago Opera, perform operas in their original text.

Those advocating opera sung exclusively in English voice a sentiment which deserves and demands sympathy and respect. I hope they will succeed in establishing organizations in New York and other cities, which will be devoted to the realization of that purpose and which, at the same time, will be much needed training and testing grounds for American singers. The late Oscar Hammerstein tried to do so for a period of a few months, and failed. My associates and I tried it at the Century Opera House, and failed. Still others have tried and failed. Yet the attempt ought not to be given up. It ought to be persisted in, and I, for one, shall be willing and glad to coöperate, financially and otherwise, if a soundly planned, intelligently directed and responsibly sponsored effort is again undertaken toward that end.

V

The ways of the Metropolitan.

As long as I am engaged in the sport of breaking lances for the Metropolitan Opera, let me refer with a few words to the criticism sometimes heard that we stick too closely to the traditional ways, that we are not sufficiently progressive or experimental. There is room here for a legitimate difference of opinion.

The Metropolitan pleads guilty to the charge, if

charge it be, that it does not take easily to new-fangled ways of producing opera. The concepts of the dramatic stage do not hold for the operatic stage. As I have said before, the very essence of opera is a convention. Realism and opera are, more or less, contradictory terms, especially in the case of the pre-Wagnerian operas, with their set pieces and arias, during the delivery of which the action of the play comes to a full stop. So great a master of stagecraft, so bold an innovator, as Max Reinhardt, said to me the other day that it would be a distinct mistake and misconception for operatic producers to depart in essentials from traditional methods.

Moreover, it must be borne in mind that the Metropolitan is performing, primarily, not for the edification of a sophisticated and satiated small minority, but for the benefit of that great majority to whom opera is a moving and stirring thing and a number of whom, each new season, are new opera-goers.

I do admit that the time is ripe for a new departure in opera. But for that consummation we must look to the composer, not to the producer or interpreter.

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The Grau regime and present conditions.

While we are speaking on the subject of producing opera, it may be of some interest to point out that since the days of the Grau regime, the cost of giving opera at the Metropolitan has gone up considerably more than two hundred per cent. That enormous increase in expenditures (as against which the price of seats has been increased by only forty per cent) is primarily the result of the vast enhancement in the cost of labor and materials, which has been one of the characteristics of the last ten years. But, in part, the augmentation of our total outlay is due to our own actions, to wit:

Mr. Grau had the good fortune to run the Metropolitan at a time, some twenty-odd years ago, when Nature produced in the field of operatic singing the phenomenon

of a veritable redundance of the greatest exponents of that art. But apart from the light shed by the stars, there was for the most part darkness.

The present management, on the other hand, while never ceasing to look through the telescope in search of new stars, while fully realizing the indispensable essentiality of their illuminating power, while rejoicing in their number and quality today, and resolved that the Metropolitan public shall always have the greatest as they exist and as they arise—the present management has acted, and will continue to act, on the theory that opera in its very nature is a thing of ensemble effects.

Consequently, orchestra, chorus, ballet, stage management, costuming, scenery—in short, everything that is requisite to a high standard of ensemble effects—have received a degree of care and consideration that never existed in the "good old days." And that has meant, and is bound to mean, a vast increase in expense. Moreover, the present management, for many seasons, has rigidly adhered to the rule, with but a very few exceptions due to unforeseeable emergencies, that none of the subscription series shall have the same opera twice in one season—which means the expense and effort of giving about forty different operas each winter.

VI

A new Metropolitan Opera House needed.

In conclusion, I would add a few remarks concerning the building in which the Metropolitan Opera is housed.

It has tradition and atmosphere—two precious things—and, in contrast to its exterior, its auditorium is dignified and splendid. It has, generally speaking, good—though somewhat freakish—acoustics. But the house is far from adequate.

Everything behind the curtain is antiquated and appallingly inconvenient. It is a daily *tour de force* for

Mr. Gatti-Casazza and his fellow-workers, in the face of these insufficiencies and impediments, to produce the effects they do. I could wax quite rhapsodical in predicting what they might accomplish in a properly equipped and up-to-date house.

Lobbies, ticket-office space, ventilation, facilities for ingress and egress, sight lines from many of the seats—these and other things are sadly deficient. But, to my mind, the gravest objection is the fact that the accommodation for those who cannot afford to pay for expensive seats is entirely inadequate in the present house, both as to quality and as to the number of available seats.

The Metropolitan was built at a time when consideration for the wants and claims of the broad masses of the people did not have that reality and meaning which, fortunately, advancing social conceptions have since brought about.

Duty toward opera lovers of small means.

It is a solemn obligation of a semi-public institution, such as the Metropolitan Opera, to provide amply and generously for opera lovers of small or modest means. I have had frequent occasion to observe how much music means to such devotees of the art. Indeed, I venture the assertion that it means a good deal more to the denizens of, say, Third Avenue than to those of Fifth Avenue.

Not that love of music is lacking among the well-to-do and is preponderantly confined to those not blessed with worldly goods. Feeling for art has nothing to do with the size of a person's pocket-book. But the inhabitants of Fifth Avenue have a far greater supply of diversions and preoccupations than those of Third Avenue, and therefore, generally speaking, cannot and do not bring the same degree of spontaneity, zest and enthusiasm to opera or other art offerings, nor carry away from them the same degree of stimulation, joy and satisfaction.

That is one of the penalties of Fifth Avenue and one of the compensations of Third Avenue.

I know how much of pinching and saving and self-denial often goes into the price of a ticket for standing room or for the upper tiers at the Metropolitan, and I feel deeply that opera lovers of small means are entitled to more and much better accommodation than, under the unalterable physical limitations of the present Metropolitan Opera House, it is possible to give them.

I do hope that before very long we shall have an opera house which in every way shall be worthy of this great city, which shall enable the Metropolitan Opera to realize further advances in its standard of production, and, above all, which shall be so arranged as to conform to that genuinely democratic sentiment which in many ways is, and in all ways ought to be, characteristic of America.

ADDENDUM

"Jazz opera" a contradiction in terms.

Out of some casual remarks of mine in reply to questions, there arose the legend, widely published in the press, that I had taken steps, or was about to take steps, to cause a jazz opera to be performed at the Metropolitan Opera House. That is, of course, not so. A "jazz opera" strikes me as a contradiction in terms. In its literal meaning it is quite unthinkable.

Most American operatic composers have attempted hitherto, none too successfully, to express themselves after the manner of modern German, Italian or French style and idioms. They have shown excellent technical proficiency, but, on the whole, have been lacking in melodious invention and in spontaneity. Their work, generally, has not been racy of the soil.

American operatic librettists hitherto have shown a decided predilection for stories of dim and distant antiquity or for Indian legends.

It seems to me that American opera ought to have, as much as the reality has, our own atmosphere, idiom, tang

and characteristics. I do hope that some of those who, at present, are devoting their talents to producing jazz dance music and jazz songs, will come to tackle more important and more exacting tasks. I hope some of them will try their hand at opera, and endeavor to express themselves in their own way—themselves and the spirit of the life which surrounds them—however unconventional that way may be.

Such an opera will probably contain some of the motives, rhythm, and characteristics of jazz, but whether it does or does not, is immaterial. The main question is: "Has the work musical merit? Does the composer have something to say, and does he say it in the manner which, to him, is the natural and spontaneous way of expressing himself?"

Similarly as to the book and story. Let it, too, be drawn from the fullness of present-day life. Don't let it deal with the love of a white hunter for an Indian maiden who, in the last act, throws herself over a precipice. Let it be what our dramatists are giving us more and more commendably and successfully, namely, episodes of everyday American life, faithfully portrayed and put upon the stage, with their pathos and their humor and their pungency.

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Hope for characteristically American opera.

It is in that sense that I have, in fact, suggested the writing of an America opera to some of our most popular composers, such as Irving Berlin, George Gershwin, Jerome Kern, as I have suggested it to other American composers of demonstrated talent, not particularly connected with jazz music.

I hope, and believe, some such operas will be written in the early future. I am not at all convinced that they should attempt to be "grand opera" in the conventional sense. It is a question whether American creative musical talent will naturally express itself on the lines of

grand opera. The characteristics of that talent seem to be rather in the direction of the graceful, the rhythmic, the humorous, the simply melodic, the homely and inartificial—elements which might be supposed to tend, among other forms of expression, toward light opera.

A race may be musically creative, as I believe the American will be increasingly, and yet not be productive of grand opera. There is, for instance, no race more musically gifted than the Austrian, yet it has brought forth only one great composer of grand opera, Mozart.

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Metropolitan's aim to foster deserving American talent.

The Metropolitan Opera conceives it to be its duty to encourage and foster every deserving manifestation of American operatic talent, and will gladly produce operas, by a jazz composer or by whomsoever else, and however unorthodox in style, provided they are of adequate worth and interest.

There is a call for a new departure in opera. That does not mean that the old may be neglected, or looked at askance, or thrust aside. But, while respectful of the accumulated treasures, achievements and lessons of the past, and reverential of the masters, music should seek to express its day and even to anticipate. True art is eternal, but it is not stationary.

THE ADVANCING TIDE OF AMERICAN ART *

Vitality of art life in America.

THE first and major impression which invariably seizes upon me within the first few days after my return from my usual annual pilgrimage to Europe is that of the power, the speed, the immensity and the intensity of New York. With that impression goes the vivid realization of a standard of living prevailing in this country which is unparalleled anywhere else, and the grateful recognition of our freedom from those complex and troublous economic and political problems which burden and harass the people of the old world.

Among the secondary impressions nowadays is that of the amazing growth and vitality of the art life of New York. That gratifying and auspicious development obtains, to a greater or lesser degree, throughout America, and, in certain of our cities particularly, is creating results of great interest and excellent augury. While it is discernible in all fields of artistic endeavor, it seems to me particularly striking in music, architecture, and the drama.

The spread of musical interest and cultivation.

A mere glance at the daily press indicates a truly remarkable spread of the public interest in, and concern with, music. Symphony orchestras, some of them equal, if not superior, to the best existing anywhere, choral societies, and various other forms of musical activity abound and are being added to constantly. Great conservatories have been established in some of our leading cities by the side of many lesser ones and a multitude of

* An address at a meeting on behalf of the Brooklyn Little Theater, held at the Brooklyn Chamber of Commerce, November 11, 1924.

individual teachers, to minister to the many hundreds of thousands of eager learners. Music is being cultivated in many of our public schools and given an important place in a number of our colleges and universities.

The leading singers, instrumental virtuosi and conductors of all countries are to be found in New York each season, and many of them are heard in other American cities, too. (I may mention, incidentally, that a number of these artists have commented to me upon the admirable responsiveness of American audiences.) No other city in the world offers the combined profusion and excellence of concerts which characterize the winter in New York, not to mention the Metropolitan Opera, upon which, inasmuch as I am its President, modesty forbids me to bestow encomiums. The practice of having open-air concerts and operatic performances, some of them under municipal sponsorship, during the summer months, is getting more and more frequent.

It is true that America's intentness upon, and pursuit of, music has demonstrated itself, thus far, rather in appreciation and cultivation than in creative activity, but it is a safe prediction that out of the ever more widely cast seed of comprehension and proficiency there will spring the final fruitage of creation.

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Jazz.

Moreover, it does not seem to me beside the point to allude to the fact that America did create, within the recent past, a musical expression—imperfect as yet and spotted with crudities, but vigorously alive, characteristically novel and distinctively its own—namely, the much-discussed thing generically called jazz.

It is easy enough to deride or disparage that thing, but any movement which, in its rhythm and in other respects, bears so obviously the American imprint, which has divulged new instrumental colors and values, which

has taken so firm a footing in our own country, aroused so much attention abroad, and is an object of such great interest to foreign musicians visiting here—any such movement has a just claim to be taken seriously. There must be something genuine, convincing, responsive and vital to a form of music which, in a few years' time, has come to have a place throughout the world.

Jazz is manifestly limited and inadequate in its present stage. Its failings "jump at the eye," as the French say, or, rather, "at the ear." But it does characteristically mirror some of the conditions of our modern life.

It has rhythm and dynamics, and seeks what is too often neglected by the more "high-toned" of modern composers: melody. It is sincere and spontaneous and stands robustly on its feet.

Jazz but a phase, not a completed process.

A first-rate "jazzy" Broadway revue, or musical comedy, with its swiftly rushing pace, the spontaneous grace, zest and swing of its dancing, the tang of its humor, the kaleidoscope of its color, the hustling, palpitating rhythm of its orchestra, is more genuinely a product and an expression of American talent than is a savorless and uninspired grand opera composed with painstaking erudition and technical impeccability after the model of Wagner, Debussy or Strauss. By which I do not mean to be understood as upholding jazz as a model. I look upon jazz as a phase, as a transition, not as a completed process.

It has been said that jazz cannot be regarded as peculiarly American, because it is traced back to African origin. It remains nevertheless true that America has seized it, modified it, and made it its own. You might just as well say that Theodore Roosevelt was not wholly and typically American because his origin can be traced back to Holland. Or, in a more frivolous vein, you might say that a "cocktail" is—or I had better say *was*

—not a peculiarly American product because the ingredients composing it are of foreign origin.

Much talent but must aim at evolution.

There is no mistaking the fact that a vast amount of talent exists among players and composers of jazz. It will have to purge itself of crudities, it will have to frown upon vulgarity, it will have to eliminate, not humor, but clowning, it will have to aim, as some of its leaders do, at evolution from its present stage. We should try to help and hasten that process.

Instead of "turning up our noses" at jazz, in superior musical virtue and fastidiousness of taste, we ought rather to take the attitude of spurring it on with friendly interest, of setting it the task to progress toward further and higher achievement, and of giving actively sympathetic encouragement to every sincere attempt to develop this peculiarly American product into a fruitful and significant contribution to musical art.

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Architecture.

About thirty years ago the skyscraper came to New York. It was an unsightly, over-ornamented thing, in keeping with the ugliness of the "brownstone" houses which then were the prevailing architecture of our city.

Now, the skyscraper has become beautiful, splendidly impressive in its mass and line, in its bold sweep upward wholly uninterrupted by unmeaning ornamentation, expressive of power and striving, and at the same time admirably adapted for its utilitarian purpose. And simultaneously with the evolution of the skyscraper, the standard of the general architecture of the city—private houses as well as public buildings—has advanced by leaps and bounds. I believe it is not too much to say that American architects, as a class, have attained the leading place among those practicing that profession anywhere. Better, perhaps, than any other form of art, theirs, in the present stage of things, expresses the spirit of America.

I doubt whether in our own country we appreciate adequately the remarkably high average level of our architectural art, and particularly the admirable beauty, strength and boldness of some of its more recent creations. I know a distinguished foreigner, now on a visit to New York, who has made it practically a daily habit since his arrival, to stand for a little while at the corner of Park Avenue and Forty-ninth Street in order to get the thrill of contemplating the magnificent mass and lines of the Shelton Hotel, looming two hundred feet away in Lexington Avenue.

As the skyscraper, an original American creation, advancing from crudity to beauty, came to be an American contribution to art, so I believe that out of the seed of the thing that goes under the general name of "Jazz" something will spring to fruition which will take a worthy place in art.

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The stage.

As to the field of the arts of the stage, the progress made within the last few years is, on the whole, highly gratifying and indicative of great promise.*

Appreciation and understanding of art bring true enrichment.

To acquire appreciation of, and understanding for, art is to acquire true enrichment. For wealth is only in part a matter of dollars and cents. The occupant of a gallery seat, who has paid twenty-five cents for admission to a concert, will be far richer that evening, if he has brought with him love and enthusiasm for art, than the man and woman in a box at the Metropolitan Opera, if, blasé and indifferent, they sit yawning or chattering. The poor man in a crowded tenement who feels moved and stirred in reading a fine book, will be far richer at the time than the man or woman idling in dullness in a

* The author's comments on the American stage, as contained in this speech, are omitted, inasmuch as the subject is dealt with at length in a subsequent speech. See pp. 87-103. (PUBLISHERS' NOTE.)

gorgeous mansion. If he goes to Central Park or Riverside Drive, with his eyes and soul open to the beauties of nature, he will be far richer than the man and woman rushing in a luxurious automobile through the glories of the Italian landscape, the man thinking, maybe, of the Stock Exchange, and the woman of her new dress or next party.

I never came so near experiencing the feelings generally attributed to a plutocrat as on the occasion when, in my early youth, I had the treasure house of "Tristan and Isolde" opened up to me. It so happened that, having been "treated" to the performance, I found myself seated near one of the leading bankers of the city in which I then lived. He fidgeted restlessly through the first act. In the second act, during the divine duo, he fell asleep, audibly so. Not the most "hard-boiled" capitalist ever looked with a more lordly feeling of superiority upon those not blessed with worldly goods than I did upon that rich man.

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Art means far more to the people than is generally realized by those who are but superficially acquainted with the lives and sentiments of the broad masses.

Art means much to the people.

We all, rich and poor alike, need to be taken out of the routine and grind of our daily lives once in a while. We all are the better for psychic change from time to time, just as we are the better for physical change of air and surroundings. A sluggish soul needs stimulation just as much as a sluggish liver. As the soil of agricultural land requires rotation of crops in order to produce the best results, so does the soil of our inner being require variety of treatment in order to remain elastic and fertile, and to enable us to produce the best we are capable of.

In the course of a recent hearing before Mayor Hylan concerning the project of creating a Civic Art Center

Art as an antidote against restlessness and lawlessness.

I said that I believed that some of the restlessness and lawlessness of the day was attributable, in a measure, to a reaction against drabness and lack of inspirational influences and opportunity in the people's everyday existence, and that one of the elements which could and should be mobilized and utilized to aid in correcting such tendencies was art. The Mayor interrupted with good-humored skepticism to inquire whether I meant to say that art would be effective toward diminishing crime. I replied that it held good of art, as of every other great spiritual agency, that the stimulation and wide cultivation of it would tend to make the soil less propitious for the growth of the weeds of crime. The Mayor continued, "One of this morning's newspapers wants me to put a policeman into every house," to which, yielding to the temptation of alliteration, I replied jocosely: "I should think a piano in every house might prove more effective than a policeman."

This impromptu formed the text for considerable banter in the press. I need hardly say that I no more meant it to be taken in a literal sense than the poet when he wrote of "teaching the young idea how to shoot" meant to be understood as referring to revolver practice. The sense of my remark was akin to that of the well-known German popular saying which, like all popular sayings, has a great element of truth and wisdom in it:

> "Where they sing, you may safely dwell,
> There is no song in the wicked."
>
> ("Wo man singt, da lass dich ruhig nieder,
> Böse Menschen haben keine Lieder.")

That does not mean that any and all members of choral societies are wholly free from evil, or that you would be safe in engaging a cashier in sole reliance on the fact that he has a well-cultivated tenor voice.

What I meant to convey, and what I maintain, is that the best preventive against crime is to encourage and foster in the young—and in the grown-ups, too, for that matter—interest in, and understanding for, that which is beautiful and inspiring and which will bring into their leisure hours influences and occupations tending to counteract the lure of the street and to breed aversion and contempt for that which is vulgar, cheap, brutal and degrading.

Art in the aspect of a force for civic betterment.

Toward that end, one of the most potent instrumentalities is art. It is, or can be made, a mighty element for civic betterment. It is, or can be made, one of the strongest among those agencies which have power to influence the conceptions and the attitude, the ways and manners of the people. It has power of educating, refining, exhorting, stimulating and revealing, of comforting, soothing, and healing.

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European governments and municipalities have long since recognized this aspect of public usefulness and value inherent in art, and have given expression to this recognition by subsidizing theaters and operas and other art institutions. In our country, thus far, this task, to the largest extent, is left to private initiative, to the generosity and public spirit, or, if you will, the enlightened selfishness, of those who can afford to give. It is a duty and a privilege and ought to be a pleasure to fulfill it. It is a vast opportunity to aid cultural advancement.

For hospitals, for churches and religious movements, for universities and libraries, for charitable work of all kinds, far more has been done and is being done in America than anywhere else in the world. The altruistic munificence of our men of wealth is the envy and admiration of all nations. But upon the immensely large and potentially immensely fruitful field of art, relatively

little consideration has been bestowed heretofore by such men.

Yet, the opportunity is boundless, and the call urgent, for public-spirited citizens who will put not only some of their wealth, but some of their time and ability in the service of that cause; who, conscious of the social value and beneficial influence of art, will help along in movements having for their purpose to advance art and art standards, to procure more and better opportunities in that field both to the public and to American artists, and to make the joys and inspirations of art more widely accessible to the people.

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The Brooklyn Little Theater and the Chamber of Commerce.

It is to be welcomed, therefore, with particular gratification and satisfaction, and is of timely and auspicious significance, that the movement for the Brooklyn Little Theater, which the meeting that I have the honor to address is destined to further, has the active and wholehearted sponsorship of the hard-headed business men of the Chamber of Commerce, and that this gathering is taking place upon the initiative and under the auspices of that efficient and public-spirited organization.

It is on the lines of the aims and ideas which I have endeavored to express, that the Brooklyn Little Theater is planned. It will be a place of opportunity, a meeting and testing ground, for the talent that is latent among you. It will be a wholly democratic place, where all sorts and conditions of men and women, irrespective of creed and racial origin, will foregather in the common cause of art. It will be a platform where those seeking for artistic self-expression will find both a hearing and guidance. It will be an abode at which leading exponents of art will appear and give of their best with especial zest, because of the atmosphere which will prevail there.

It will be a dwelling of fellowship in art, a center

from which will radiate throughout your city the beneficent rays of culture, of beauty, of good will, and of earnest striving after the higher things of life.

I feel sure that I may speak in the name of all those who appreciate the meaning, the value and the potentialities of the things which the Brooklyn Little Theater aims to cultivate and realize, in wishing you most cordially the fullest measure of success in your admirable undertaking.

ART AND THE CATHOLIC CHURCH *

IN a world and at a time too much given to accentuating, and indeed exaggerating, the things which divide us, instead of to seeking and emphasizing those which unite us and make us kin, art affords one of the most appropriate common meeting-grounds for all, irrespective of creed, race or station.

Art springs from religion.

A good many people appear still to adhere to the idea that because the pagans had art, therefore there is something inherently irreligious in art. That is, of course, a wholly erroneous impression. The fact is that all art sprang from religion and was meant, in its origin and, for many centuries, in its practice, to serve religion.

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It is wholly appropriate and greatly to be welcomed, that the admirable aims of the Catholic Writers' Guild should be launched under the auspices of their religious faith. It is significant and gratifying indeed that our gathering this evening, which while mainly composed of Catholics, does include Protestants and Jews, is honored, and its purpose encouraged and sanctioned, by the presence of that eminent prelate and true Prince of the Church, who is held in reverence and affection by all right-feeling people regardless of creed or race, His Eminence Cardinal Hayes.

It may fittingly be observed in this connection that—in accordance with the essential democracy of the Church—these Princes are given their exalted place not because of inherited privilege, but, risen as most of them are

* An address before the Catholic Writers' Guild, New York, November 23, 1924.

from humble stations, because of their qualities of mind and heart, character and merit, as is conspicuously exemplified in the case of the Cardinal Archbishop of New York.

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The Catholic Church has always recognized the godliness of beauty. Not only does the glorious rebirth of art in the Middle Ages and during the Renaissance period owe its very existence to the Catholic Church, not only were the monasteries centers of artistic culture and achievement, but, in the mellowness of its ripe wisdom and human understanding, your Church has ever been an enlightened patron of art in all its branches, has fostered and inspired it and been its staunch and potent defender.

An incalculable debt is due to the Catholic Church from all lovers of art.

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The noblest and deepest of all human sentiments is faith. Approaching it is the inspiration derivable from the beauty wrought by God in nature and by men in art.

The inspiration derivable from art.

The union of religion and art has been consecrated by an illustrious line of Popes, Cardinals and Bishops.

There is call for that union, indeed for the union of all the forces that make for the higher things of life.

For these are days when ill-omened tendencies, differing from and conflicting with one another, are yet insensibly uniting to reach out for that place which long has been held by, and rightfully belongs to, far finer and higher elements.

In that unhallowed and discordant company we see materialism, lack of reverence and restraint, the headlong chase after futile pleasures, disdain of discipline and tradition, indifference to the things of the spirit. We see marching apart, but converging toward the same goal, the fomenters of intolerance, class or racial

animosity and religious discrimination. And from yet another wing of that motley and sinister army there come to us the blatant voices of those extremists and iconoclasts who, misunderstanding or misinterpreting or desecrating the meaning of liberty, would rob mankind of some of its choicest and most precious spiritual possessions.

They will not succeed, they will never succeed, in America!

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A lofty and unassailable citadel.

Against the lofty citadel held by the sublime emotion and revelation, which is religion, in union with the noblest human sentiments and aspirations, not the least noble of which is art, the assaults of the unbelievers, cynics and scoffers, the preachers of subversive doctrines, and the apostles of intolerance and hatred will beat in vain. From their impious hands their spears will fall shattered and broken, and triumphant will still float the ancient banner inscribed with the hallowed device of faith, love, right and beauty.

As, in days of old, the Crusaders set out under the slogan *"In hoc signo vinces,"* so let us set out on the crusade of our day, confident that we shall conquer in the sign of those high aims and spiritual aspirations which are cherished, and ever to be defended, by all right-thinking men and women, whatever their religion or race.

THE THEATRE GUILD*

The story of the New Theatre.

THE present occasion brings vividly to my mind the recollection of a similar celebration fifteen years ago. It was on the sixth of November, 1909, that the then Governor of New York, Mr. Hughes, flanked by Senator Elihu Root and the late J. Pierpont Morgan, inaugurated the New Theatre. It was an impressive and auspicious ceremony. A great gathering had assembled, including men and women distinguished in all walks of life. The most sanguine expectations seemed amply justified. Enthusiasm ran high. No theater ever opened with such puissant financial backing as was represented by the captains of finance and industry who were the Founders of the New Theatre.

Within two years the great edifice of proud and joyous anticipations had crumbled into the dust, allegorically speaking, and the enterprise, started under such brilliant auspices, had come to an unhonored end. Yet the standards of its performances had been uniformly high, and some of them of supreme excellence.

The autopsy disclosed several ailments, none of which needed to have been, or should have been, fatal—such as the size of the house, the imperfection of the acoustics. The really determining cause of death was malfunctioning of the heart.

We, the parents of the New Theatre, had brought forth an idea. To live and to grow, it needed air, plain fare, and avoidance of pampering. We enclosed it in a gorgeous abode of brick and mortar, we stifled it with heavy, golden raiment, we fed it on a diet seasoned with

* Speech at the laying of the cornerstone of the new theater of the Theatre Guild, December 2, 1924.

"Society" ingredients. We were conscious, and let the public be conscious, of its "high-toned" pedigree. It had been born anemic. We failed to apply the right treatment against that congenital deficiency. On the contrary, we managed rather to aggravate the trouble. Its blood did not nourish the heart. And thus it languished, and died.

We had not sufficiently realized that first must be the spirit, and then the deeds of the spirit, and then the followers of the spirit, and then only the house fitted to shelter the spirit.

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The modest beginnings of the Theatre Guild.

The men and women who called into being the Theatre Guild had what we, the Founders of the New Theatre, lacked: simplicity of faith and robustness of spirit and practice. When I first met them, they held in their arms a frail infant. They had barely enough of material means to give it the most frugal sustenance for a few weeks or months. They asked for some kind of garment, however rude, to cover its nakedness, and it will always be a particular satisfaction to me that I was able to meet their modest request.

Under their fostering care, under their intelligent, single-minded and devoted guidance, under their enlightened regime of plain living, high thinking and true aiming, the infant grew into a sturdy youth. And so admirably did he conduct himself, with such taste, tact, discernment and industrious application, so highly gifted did he reveal himself to be, that he became a source of joy, pride and satisfaction not only to his progenitors, but to the whole community.

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To drop all metaphors, the Theatre Guild has been tried and tested, and the verdict is one of universal approbation and acclaim. Without the support of wealth, without the backing of social or other influence, it has

attained the unique position which it now occupies. It has conquered its place by dint of sheer ability, of rare qualities of character, and of courageous imagination tempered by a shrewd sense of the realities.

The Guild has gone ahead, without frills, conceits and artificialities, following the simple method of seeking good and interesting plays wherever they could be found, discovering them with remarkably excellent judgment, and producing them with taste, skill and artistic intelligence.

It has made no attempt to make a high purpose serve as an excuse for amateurishness, or as the ground for an appeal to the indulgence of the public, but from the beginning has boldly challenged comparison with "Broadway." It has never deceived itself with the belief that New York audiences would "hold the bag" while it educated and developed an adequate troupe of actors, but from the beginning has set out to scour the highways and byways for the actors best fitted to play the rôles which they were to portray—and, to the honor of the profession be it said, generously helpful coöperation was accorded by many actors and actresses who gave their services to the Guild in its early stages on terms of financial compensation very substantially below that which they could have obtained elsewhere.

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The ways of the Guild.

The Guild has resolutely rejected the enticements of fatuous and sterile "superiority." It has recognized that the test of leadership is to enlist and hold followers. And thus, when setting out to ascend the heights, it never moved so fast or so far but that multitudes were able to follow it. And it prudently looked back from time to time to see that they did follow, as indeed they did.

It has been neither freakish nor "high-brow," nor has it played down to an assumed level of immaturity or mental insufficiency of the public. It has attributed to its

audiences neither an inferiority complex nor a lubricity complex.

It has dared to believe in its public. It has acted on the theory that it is an inherent and characteristic impulse of the people of America to follow an upward rather than a downward lead. It has realized that to meet their thoughts, feelings and aspirations does not mean to descend to a low plane. True, the public does not fancy dullness, drabness or sermonizing in the theater, but that signifies by no means that it does fancy vulgarity, grossness or tawdriness. What it does want is to be moved, entertained, interested. Its bent, mood, and propensities of mind and soul spring from contact with, and take their resonance from, real life; and life, sweeping magnificently toward a consummation unrevealed, is full-blooded, richly colored, replete with action, and stored with vivid dramatic material.

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The Guild has demonstrated that high artistic aims and standards are quite compatible with practical considerations and good sound sense. It has known how to interest and attract, and establish close relations with its public. It has passed the mastery test of reconciling the idealistic with the practical.

Guild is like self-made man.

The Guild has been brave, wise, honest and strong. It has kept the faith. What the best type of self-made man is among men, that the Guild Theatre is among theaters.

Its career is a triumph for those who guided its policies and actions, and a tribute to, and vindication of, the theater-lovers of New York. Its success and the means by which it has attained it, and with it the confidence, esteem and loyalty of the public, are an inspiration and an example.

I am not indulging in fulsome eulogy, but am measuring my words, when I say that the men and women who

founded the Guild and carried it on, have enriched our city. They have made of their enterprise a true cultural and artistic center. They are a stimulating and beneficial influence to the American stage. They have enhanced its renown and amplified its significance.

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The great achievements which stand to your credit, ladies and gentlemen of the Theatre Guild, have been attained in spite of the handicap of an inadequate stage and building. The dignified, spacious and admirably equipped new house which is being consecrated today to its high purpose, will provide you with a perfect instrument. But it is only an instrument, it is merely a shell. It is for you to elicit beautiful tones from that instrument, it is for you to infuse a living spirit into that shell.

An admonitory note.

If it be not out of place to sound an admonitory note on this festive occasion, and if it be forgivable to address it to those who have so splendidly vindicated both their competence and their vision, may I be permitted, as a friend and well-wisher, to point to the "sweet uses of adversity" and, correlatively, to the dangers inherent in conditions of ease and of smoothened ways?

You have passed through the dark forest of hardships, not only unscathed but strengthened and steeled by the obstacles you have met and so valiantly overcome. You have emerged into a smiling valley and found there a pleasant habitation. But unless the Guild remains steadfast to the spirit and the faith which have guided it heretofore, unless it keeps on striving unceasingly and wooing toil and effort gladly, that valley and that habitation hold the potentiality of becoming to you what Capua was to the armies of Hannibal. Too often, art emerging from garrets, in the plenitude of strength and promise, has been undone in palaces.

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Much will be expected of you, not only because much has been given you, but because you have given us much. It is by the exalted standard which you yourselves have set, that you will be judged.

The Guild Theatre an impressive and significant token.

It is an impressive and significant thing—eloquently indicative of the place which the stage has conquered in American life—that this building was erected not by the munificence of one or a few rich men or the support of the municipality, but by subscriptions from the great body of those whom you have made your patrons. No such thing has been done anywhere else, as far as I know, at any time. It stands as a token not only of the trust, good will and admiration of the public toward the Theatre Guild, but of the fact that dramatic art in America has come into its own, that it is vigorously alive, more so, probably, than in any other country, and that it is forging ahead with that strenuous intensity which is characteristically American and which will not rest till it has attained the summit.

Among the guardians of that art, among the guides of that great movement, you stand in the front rank. Yours is the honor of that place, yours the responsibility of maintaining it, yours will be the glory of succeeding. That you are abundantly entitled to the honor, that you will worthily live up to the responsibility, that you will justly reap the glory, we, who have followed you with ever-increasing confidence, satisfaction and appreciation, hold to be not open to question.

Seven years ago you made a promise. You have more than fulfilled it. This house is your reward. We give it into your keeping. And with it we give and pledge our admiration and gratitude, our hope and faith, and our most cordial good wishes.

THE AMERICAN STAGE*

Reflections of an Amateur

I

YOU will not expect from me a technical or learned discourse. My card of identification in this distinguished gathering bears the designation neither of teacher nor of actor, playwright or producer, but merely that of amateur.

Let me add, for further identification, that the definition of the term "amateur," as I mean it, has no relation to the accepted significance of the term "angel" or its latter-day equivalent, "butter-and-egg man." Definition of an "amateur."

The impulses which actuate the "angel" are generally looked upon as being not precisely angelic. On the contrary, they are, as a rule, believed to be distinctly earthly. Far be it from me to belittle the motive of female loveliness in the scheme of things, but when it comes to the question of determining artistic worth-whileness, the tests are basically different from those prevailing at a "beauty contest."

In the case of the "butter-and-egg man," the impulses of the "angel" are modified, in greater or lesser degree, by the desire to gamble for monetary stakes. His imagination is stimulated by thoughts of the balance sheet of "Abie's Irish Rose." Again, far be it from me to belittle the profit-motive in the scheme of things. But it

*An address delivered at the Carnegie Institute of Technology, Pittsburgh, Pennsylvania, on November 27, 1925.

has no place in the determination of a man's attitude toward art.

The amateur's sole motive must be love of art, and it must be coupled with understanding and discrimination. He must be endowed with the faculty of critical reflection, as he must possess the capacity for hot enthusiasm. He must be susceptible of being nauseated, as he must be susceptible of being thrilled. He must react with broad and enthusiastic receptivity to the genuine, beautiful and worthy; and to the meretricious, the commonplace, the tasteless, the vulgar, he must react with that utter intolerance which, while a vice in the affairs of actual life, is a virtue in matters of art.

The amateur who is able and willing to give monetary support to the cause of art must not look upon his financial contribution as entitling him to be the power behind the throne of the artistic direction. The artist must be left unhampered and supreme in his domain. The amateur may, and should, contribute, besides his funds, his interest, encouragement and enthusiasm, his understanding, even his criticism, but he must not permit himself, or be permitted, to become a "butting-in" nuisance.

He must realize that, as an active factor, he is rarely needed, except in cases where, from the financial point of view, the odds are greatly against him. He must not expect, or try, to "play safe." On the contrary, he must reserve his intervention to enabling those things to be attempted or achieved which are worth doing, but which, without the support which he is in a position to offer, financially or otherwise, could not, or would not, be undertaken.

He must seek single-mindedly to serve art, he must aim to aid talent, especially young talent, and he must find his sole reward in the joy and usefulness of that service. And he must be impervious to disillusionments.

II

My first active step to qualify as amateur of the drama was to take a leading part in calling into being the New Theatre, which opened its doors in the year 1909. It proved a first-class, man-sized disillusionment. I will not detain you by indulging in an elaborate "post-mortem." Suffice it to quote, if I may, a few sentences from a speech which I made at the laying of the cornerstone of the Guild Theatre in New York last winter:

Why the New Theatre proved a disillusionment.

"The present occasion brings vividly to my mind the recollection of a similar celebration fifteen years ago. It was on the sixth of November, 1909, that the then Governor of New York, Mr. Hughes, flanked by Senator Elihu Root and the late J. Pierpont Morgan, inaugurated the New Theatre. It was an impressive and auspicious ceremony. A great gathering had assembled, including men and women distinguished in all walks of life. The most sanguine expectations seemed amply justified. Enthusiasm ran high. No theater ever opened with such puissant financial backing as was represented by the captains of finance and industry who were the Founders of the New Theatre.

"Within two years the great edifice of proud and joyous anticipations had crumbled into the dust, allegorically speaking, and the enterprise, started under such brilliant auspices, had come to an unhonored end. . . .

"The autopsy disclosed several ailments, none of which needed to have been, or should have been, fatal—such as the size of the house, the imperfections of the acoustics. The really determining cause of death was malfunctioning of the heart.

"We, the parents of the New Theatre, had

brought forth an idea. To live and to grow, it needed air, plain fare, and avoidance of pampering. We enclosed it in a gorgeous abode of brick and mortar, we stifled it with heavy, golden raiment, we fed it on a diet seasoned with 'Society' ingredients. We were conscious, and let the public be conscious, of its 'high-toned' pedigree. It had been born anemic. We failed to apply the right treatment against that congenital deficiency. On the contrary, we managed rather to aggravate the trouble. Its blood did not nourish the heart. And thus it languished, and died.

"We had not sufficiently realized that first must be the spirit, and then the deeds of the spirit, and then the followers of the spirit, and then only the house fitted to shelter the spirit."

* * * * * * *

New Theatre had not lived in vain.

However, the New Theatre, though its demise was without glory, had not lived in vain. Nothing that is well done and worthy of preservation is ever quite lost, and not a few of the things which characterized the New Theatre's short career were exceedingly well done. All of its performances had quality. Some of them were of superlative excellence.

It did set a standard in action and in purpose. It did prove that it was possible to aim high and make a hit (for, though it failed, its receipts per performance were greater than those of any other theater then in operation in New York). It did mobilize a spirit and enlist a following which, once called into being and rallied around the flag of an independent, non-commercial, forward-looking, upward-striving theater, never disarmed or disintegrated, but remained a living and potent force which was to be heard from before long.

I venture to regard it as not merely a sequence of time, but, to an extent at least, as a sequence of causality, that

the demise of the New Theatre was followed by a great quickening of the movement for independent theaters, and the coming into being of many such, both in New York and throughout the country.

III

After the abandonment of the New Theatre venture, most of the Founders dropped out. A small remnant of us remained, willing and eager to "carry on." Taught by experience, we determined to proceed on a far more modest scale, and not again to rely unduly on externals, including therein the unstable element of the support of "Society." And we intended to make the feature of our enterprise the establishment of a repertory theater. We actually acquired a site (now, if I remember correctly, occupied by the Booth Theatre), and had plans drawn for the erection of an unpretentious building.

Consensus of expert opinion disadvises repertory theater in New York.

But this time we were resolved to look before we leaped. So we set out to obtain the most competent advice available. We conferred with all the leading authorities in stageland on the subject of creating a repertory theater. The verdict was unanimous that it could not be done.

We were told that, as far as the New York public was concerned, it already had what for their purpose was tantamount to a repertory theater, in that there were so many theaters in New York that the theater-goer had a choice of constant variety; moreover, the New York public had certain fixed and deep-rooted habits, arising from conditions appertaining to the prevailing mode of life, which habits it would be exceedingly difficult, if not impracticable, to modify, and which were not compatible with the patronage of a repertory theater.

We were told further that, as far as the actors and playwrights were concerned, there were ineradicable cir-

cumstances which made a permanent repertory theater (unless it was conceived in the nature of a training school for the young), unfeasible in New York, even though a few leading artists could doubtless be found who, for a certain length of time, would be willing to lend their co-operation to such a theater.

We were warned that, if we really had in mind a repertory theater in the true meaning of the term, we were setting out on a wild-goose chase, from which we should return sadder, wiser and distinctly poorer men.

I am inclined to think that the advice to us was sound. I am inclined to question whether, even today, fifteen years after that episode, and with all the developments that have since taken place in the field of the stage in New York, a repertory theater in that city would have a chance to live, assuming that it could and should only live if it did not fall short of the best standard of acting to be found in other theaters.

IV

But I have no doubt at all that repertory theaters could and should be established in cities other than New York.

Country should not depend on New York for theatrical offerings.

The present system, under which the country outside of New York looks mainly to the managers in that city to provide it with theatrical entertainment, not only is undesirable from many points of view, but is proving less and less successful.

I know of no good reason why people living hundreds, or even thousands, of miles away from Manhattan Island, in differing environments with differing impressions, problems and conditions of life, should not provide and prepare, at least in part, their own dramatic fare according to their own dispositions and propensities.

It is incongruous, unfair and undesirable that American dramatic talent (which term includes playwrights and

producers as well as actors), in order to demonstrate itself adequately, should be compelled to squeeze itself through that narrow neck of the bottle—Broadway.

It is not only the competition, so called, of the "movies," or the increase in expenses, which has wrought devastation to "the road" and has brought it about that in a number of our larger cities the theater of the spoken word has ceased, or almost ceased, to exist as a popularly patronized institution. The causes lie deeper. One of the means—the chief means, in my opinion—of counteracting and ultimately eliminating them is to enlist local pride, to discover and give opportunity to local talent, and to bring into concrete existence sentiments, aspirations and interests which are latent among the people throughout the country.

By the term "local" I do not mean necessarily one single community only. I can readily conceive arrangements and methods by which a number of communities would combine to have, each one for a certain period, their theatrical season.

V

Young America holds many artistically gifted aspirants.

A plentiful supply of talent would be found available for such undertakings outside of New York. Young America, especially the female portion of young America, is bringing forth each year a surprising number of artistically gifted—some of them brilliantly gifted—ambitious and serious-minded aspirants for a career on the dramatic stage or in music. That it should be especially the female portion is easily explained and wholly natural, in view of the conditions and the tasks which determined the evolution of the two sexes in this new continent of boundless opportunities.

Indeed, it is an interesting and fascinating speculation to trace and pursue the differing trend which these con-

ditions and tasks have given to the evolution of the male and the female, respectively, in America—so differing that one may be tempted to hazard the aphorism that we have in this country not merely a male and a female *sex,* as everywhere else, but that, in a way, we are evincing the curious and unprecedented phenomenon of the coexistence of a male *race* and a female *race.* However, I am abusing the privilege of an amateur to wander from the point.

VI

To return to the orderly sequence of my thought, I wish to stress the point that far too much of young America's artistic talent goes to waste for lack of the right kind of encouragement, and of guidance and opportunity. In Germany, in Italy, and—of late to a diminishing extent—in France, there is a theater in almost every one of the larger cities (not to speak of the state-maintained conservatories in the respective capitals). Young artists get their practical training, their routine and stage experience in the smaller theaters. It does not take long for those of superior qualifications to be discovered, and to find engagements, at theaters in the principal cities. Similarly with young playwrights.

Lack of needed opportunities for young talent.

With us, where, in the ordinary course of things, can a young artist seeking a stage career find comparable openings for practical guidance and learning and development? Where are the sign-posts pointing the road to the goal to which she or he is aspiring with all the eagerness and intensity of a youthful soul? Where can young playwrights get their works produced effectively, except in the overcrowded mart of New York?

The "provincial" stock companies, unfortunately, have been decreasing for some time, though I am glad to learn that of late there has been somewhat of a reversal of that tendency.

The average young artist applying for an engagement at an average Broadway manager's office is first met with the question, "What experience have you had?" And if the answer is "None" or "Little" the manager's more or less gentle rejoinder would be, generally and not unnaturally, that his theater is not a school for beginners and that the metropolitan public is "hard-boiled" and exacting.

Of course, there are exceptional cases. Some managers are "different." Some theaters of pioneering tendencies do exist in New York. Some young artists have the good fortune or the conspicuous qualifications to come to the front quickly. Several such examples might be cited from the history of the recent past.

But who can estimate how many other young talents there may be who knock in vain at the door of opportunity, how many there may be who pass through that all too trite tragedy of qualities, impulses and aspirations thwarted, starved or denied, and turned to gall and wormwood within them?

It is not a matter concerning only a trifling percentage of our youth. There are thousands and thousands every year who "go in for" the stage, or one of the other arts. Their very numbers, in view of the difficulties, uncertainties and discouragements, which they know full well they will have to meet, is eloquent testimony to the strength and the wide dissemination of the call of art in America.

VII

Development of stage outside New York advocated.

The remedy, as far as the field of dramatic art is concerned, is to be found, I believe, as I have already indicated, mainly in the development of the stage outside of New York (mainly, not wholly; for some remedial procedures can—and, I hope, will—be made operative in New York).

I am, of course, aware of the large numbers of community theaters, little theaters, college theaters, etc., which have sprung up in recent years, which have much useful work to their credit, and whose advent and activities are to be cordially welcomed. But most of these theaters, thus far, are very limited in their means and scope of action, in their influence and in their effectiveness.

Ways ought to be studied, found and put energetically into operation, both through local proceedings and through a nationally active organization (in conjunction, perhaps, with the principal independent theaters of New York), to make these theaters things of greater and more real concern to their respective towns and cities, to render them of broader significance, of larger range, and, when deserved, of wider reputation.

They should successfully challenge the "movies" for public patronage. They should become centers for quickening and broadening the public interest and for shaping and advancing the public taste. And in order to come measurably near accomplishing their due functions, they must avoid, as a cardinal sin, being—or even arousing the suspicion of being—highbrow, "preachy," anemic, exclusive, superior. They must be bold, red-blooded, broad-gauged and appealing, taking due cognizance of the psychology of the people and giving due heed to the legitimate devices of showmanship.

That does not mean descending to a mean level. To meet the thoughts, feelings and aspirations of the rank and file of the people does not mean pandering to unworthy standards.

Fundamentally, their bent and mood, their propensities of mind and soul, spring from contact with, and take their resonance from, the actualities of life. And he who looks upon life with a jaundiced eye, who fails to appreciate, and to respond to, its romance, its adventure, its

color, interest and vividness, its pathos, humor and heroism, its majestic sweep, toward a consummation unrevealed—such a one may not consider himself qualified to take a leading part in the functions to which I have alluded as being within the province of the nation-wide stage.

VIII

Art is democracy in its very essence. Not the counterfeit which, misunderstanding or misinterpreting the purpose and meaning of the democratic conception, seeks or tends to establish a common level of mediocrity and ultimately becomes the negation of liberty. But the true democracy which, guided by the star of the ideal, yet keeping its feet firmly on the earth, and wisely conscious of the disparities inherent in human nature, strives to lead us all onward and upward to an ever higher plane.

Art is democracy.

The late Booker T. Washington used to tell a story of his meeting a colored woman and asking, "Well, Miranda, where are you going?" to which she responded, "I'se goin' nowhere, Mr. Washington, I'se been where I'se goin'."

This country hasn't "been where it's goin'." "The old order changeth, yielding place to new." A great stirring and moving is going on in the land, a searching and groping for the attainment of a richer, fuller, intenser life. In the midst of a more widely diffused prosperity and a greater degree of satisfaction to the material wants of the people than ever before existed in this country, more and more are looking about for new pastures, impelled thereto by a kind of psychic "wanderlust," by a certain inquietude or malaise attributable, it would seem, to deficient nutrition of the soul.

I feel well assured that, however disguised sometimes to casual contemplation, the actuating force underneath

the movement of our day, especially marked as it is among the young, is mainly spiritual, and its aim propitious. We are in a period of transition. Certain phenomena of the time, which at first blush seem to bear a disturbing and ill-boding aspect, I would diagnose as the kind of concomitants which, in one shape or another, have always been characteristic of such periods, but which are by no means indicative of their lasting results. Notwithstanding surface manifestations of an apparently contrary trend, it seems to me that to the closer view unmistakable evidence presents itself of a significant tendency among the American people toward an enhanced appreciation, and a more zealous and widespread pursuit, of things other than of material or utilitarian purport.

* * * * * * *

America, in the last century, had the formidable task of conquering a continent, physically, industrially, economically, and it was necessary that the best brains, the intensest energies and activities of its people should devote themselves to that stern and exacting task of material effort.

That consummation has been accomplished. America stands today—and promises to stand for many a day—the most prosperous, and economically and industrially the most puissant, nation in the world. We can afford—and ought—to occupy ourselves increasingly with art, science, culture and other things of the spirit. And, as I have indicated before, there is every evidence, in my opinion, that this evolution is, in fact, taking place.

IX

The interest in art, the appreciation of art, the cultivation of art, are steadily broadening and deepening among the people of America.

Popular interest in the stage.

In no other field of artistic activity is that quickening of popular interest more noticeable than in that of the stage, notwithstanding the apparently contradictory fact that, for the time being, so many of our cities are without the theater of the spoken word, a fact arising from circumstances which, I feel sure, are of a temporary nature.

Nowhere else in the world nowadays does the stage fill so large a place as in New York,* nowhere else does it show the same vitality and vigor, nowhere else is there such producing enterprise, such a profusion and variety of offerings, and so vast and multiform a response. And I feel convinced that what is true of New York can be made to come true, and will in due course come true, on a lesser scale, naturally, and with appropriate modifications, in many other American communities.

The sap is running strong in the tree of American dramatic art.

The ranks of American playwrights are filling up signally. It would be too much to say that the quality of the output generally is commensurate, as yet, with the quantity, but there are valid reasons for tolerant judgment in this respect, for the time being; and, on the other hand, a number of recently produced American plays have been distinctly noteworthy, some of them brilliant and altogether of a high order of merit. And, what is particularly and auspiciously significant, the general tendency and character of these plays have not been imitative of European models, but they have aimed to be racy of the soil, expressive of American life, pervaded by the tang and the atmosphere of America.

To the abundance of young acting talent, I have already referred. It is gratifying to observe that it is

*I say this with a full realization of certain undesirable features, which demand notice in a survey of the New York stage. I am wholly confident that they will be checkmated and mastered, and that the inauspicious potentialities inherent in them will be averted.

coupled, as a general rule, with conspicuous loyalty to the art, with worthy ambition, and with serious striving. If too much of that talent is found lacking in adequate schooling, especially in respect of the essential element of diction, the cause is not to be found, according to my observation, in any unwillingness of young artists to work hard and to learn, but rather in the insufficiency of the opportunity open to them to do so.

A theater of and for youth.

I am indulging the hope that there may be, in the not too distant future, at least one theater in New York devoted exclusively to youth—a stage where Young America shall have its innings. My imagination pictures a playhouse where understanding, guidance, encouragement and opportunity shall attend young talent; where the delicate bloom of its hopes, dreams and aspirations shall be nurtured sympathetically and wisely, sheltered from chilling or coarsening touches; where to the appealing, unuttered, but insistent, query of the beginner, "What price glory?" there shall come the answer: "One price only, and none other, and the same price to all, 'merit!' payable in one currency only, and none other, a currency coined from the ingredients of talent, work and devotion to art."

I would think it probable that to the stage of such a playhouse only those should have access who have not appeared in public in New York before. I would imagine that there would be a system, of constant rotation, and that no one should be allowed to remain more than, say, three seasons, the theory of that last suggestion being that if an artist "makes good" he or she will find an engagement at one of the regular theaters within three years, and if the artist does not "make good" within that period it may be assumed that the stage is not his or her calling and that he or she had better turn to some other occupation.

Over the portals of such a playhouse there might well

be blazoned the fine device which I observe inscribed over the arch of the proscenium of the stage on which I am standing: "Ici l'Inspiration Déploie Ses Ailes." ("Here Does Inspiration Unfold Her Wings.")

X

I need not refer in this gathering to the fact that the stage is a serious and important cultural element, and of far-reaching influence, that it is of great social value, that it has a weighty purpose and a large mission. The poet's saying, "Let who will govern the people, provided I may write their songs," is fitly applicable to the stage.

The need for leadership.

From all that I have endeavored to set forth, there emerges, as I see it, one overshadowing need. It is the need for leadership. And the natural recruiting ground, the natural depot, for supplying that leadership is the universities and colleges.

There is no people anywhere more malleable than this new race of ours, a race which is the composite and resultant of strains so multifarious, and still in full process of evolution and development. There is no people more willing to rally around leaders, and none more worthy to be finely led.

The scope of leadership which lies before our universities and colleges in the field of dramatic art is great indeed. Its potential fruitfulness can hardly be overestimated. The value and diversity of the influence which it is open to these seats of learning to exercise in the fulfillment of that mission, warrant the active zeal and the most careful and earnest consideration on the part of those with whom rests the function to mobilize and marshal that force.

I will not further prolong these already too protracted remarks and will leave to others, more competent than I am, the task of ventilating concrete propositions.

XI

Suggestions summarized.

My own general suggestions toward furthering the nation-wide purpose which this conference contemplates and desires to serve, I would venture to summarize under the following four headings:

1. Decentralize. Emancipate yourselves from Broadway. Don't be satisfied to be the "hinterland" of New York.

2. Seek out, foster and guide young talent and give to it the opportunity, in respect of acting, as well as of playwriting and producing. You people west of New York are less rushed and driven and crowded and preoccupied than we are. You have more repose for thinking and feeling and concentrating. Your expenses in undertaking a theatrical venture are far smaller than the swollen costs of Broadway with its appalling rentals. You are better situated to experiment and to evolve new contributions to the art. In reversal of the historic order of things, yours should be the slogan: "Ex *occidente* lux."

3. Organize, and exercise boldly, the leadership of the universities and colleges in dramatic affairs, not only within your immediate jurisdiction but by projecting your cultural influence, example and authority throughout your respective States.

4. The test of the leader is to have followers. To gain and hold the public you do not have to play down to the level of the "tired business man," but you do have to avoid dullness, drabness, sermonizing, sterile intellectuality. What the theater-going public wants—and rightly wants—is to be moved, either to laughter or to tears, to be interested, to

have its thoughts and feelings quickened and stimulated.

XII

Results hoped for.

Being deeply interested in the art of the stage, believing that its vastest and most promising field today is in this country, sharing in the view which is expressed in the invitation sent out by the Carnegie Institute of Technology, as to the potentialities of the Little and Community Theaters and the dramatic activities of the Universities and Colleges, I am basing high hopes upon this conference, and deem it a great privilege to take a modest part in its deliberations.

The book of American art is young. But few of its pages have been written as yet. I hope and believe that the results which are to flow from the present meeting will be such as to warrant a signal record of this occasion in that book of American art, a book destined to tell, I feel sure, of high and fine achievement, worthy of a great and high-souled people.

PART II

EDWARD HENRY HARRIMAN*

The Last Figure of an Epoch

I

I FIRST met Mr. Harriman in the year 1894. At that time what moderate degree of importance attached to his person in the financial community rested mainly upon the fact that he was chairman of the finance committee of the Illinois Central Railroad. It was then a well-known circumstance among bankers that the Illinois Central's finances were managed with remarkable skill and foresight. Somehow or other, it never had bonds for sale except in times when bonds were in great demand; it never borrowed money except when money was cheap and abundant; periods of storm and stress ever found it amply prepared and fortified; its credit was of the highest.

Fifty years old before he attracted general notice.

The few acquainted with the facts conceded that Mr. Harriman was a shrewd financial manager, but he had reached the age of nearly fifty years without attracting any general attention. In later life, when in reminiscent mood, he used to say that the fact that he had been born and bred in New York, and had done his work right here in the midst of people, many of whom had known him a great number of years, had militated considerably against his recognition. He thought if he had "blown" into New York from the West, his rise would have been a good deal more rapid.

It was the old story of the prophet having little honor in his own country. Even after he had started on his course of achievements in connection with the Union Pacific Railroad, those of us who then began to speak

* An address delivered before the Finance Forum, New York, January 25, 1911.

about the man's marvelous capacities used to be met frequently with remarks such as:

"Ned Harriman! Why, I knew him years ago as a little 'two-dollar broker.' What should he know about practical railroading? How could he suddenly be developing those wonderful qualities you speak of? You can't make me believe that a man can have lived in this community for nearly fifty years, have been known to lots of people, have made a fairly successful career, and then all of a sudden turn out to be a genius."

* * * * * * *

When Harriman was "tired out."

My first vivid impression of Mr. Harriman dates back to a hot summer afternoon in 1897, when, looking pale, weary and tired out, he came to my firm's office to induce us to take an interest with him in a certain business. We did not particularly care for it, and told him that we preferred not to join in the transaction. He argued to convince us of its merits, and, finally, not having made any headway, he desisted. I thought he had accepted our refusal. He got up to go, but turned around at the door and said:

"I am pretty well tired out this afternoon, and not much good any more. I have been on this job uninterruptedly all day, literally without a minute's let-up, not even for a bite of luncheon. I'll tackle you again tomorrow when I am fresh. I'm bound to convince you and to get you to come along."

He did. He came again the next day, and finally we yielded to the sheer persistency of the man and to the lucidity of his arguments. It is worth mentioning, by the way, that his judgment was right; the business turned out very well.

The incident has impressed itself upon my mind because, though of small importance in itself, it was so characteristic of the man. There was first of all the correct judgment as to the merits of a proposition and as

to its outcome—a judgment marvelously clear and sure, almost infallible. There was, secondly, the iron determination—so conspicuously in contrast to his frail appearance, the dogged persistency in pursuing and carrying out his purpose.

His phenomenal will power.

He did not know the meaning of the word "defeat." He never "threw up the sponge." His power of will was nothing short of phenomenal; and by its exercise, coupled with his indomitable pluck and amazing brain faculties, I have seen him perform veritable miracles in the way of making people do as he wanted. Let me tell you one instance as an illustration; and please bear in mind that the incident which I am about to relate occurred at a time when Mr. Harriman was but at the threshold of his successes, and far from possessing the commanding prestige which came to him in later years.

In 1898 (or it may have been early in 1899) he had been invited to take an interest in a certain railroad property, and though not greatly caring for the proposition, had accepted. A few months afterward the people who had sought Mr. Harriman's coöperation suddenly sold out their holdings in the property to a group of men who thereupon proceeded to assume the control now rightfully theirs, and to substitute themselves and their appointees in place of Mr. Harriman and his colleagues.

When he "sat tight."

Having, myself, a somewhat indirect interest in the situation, I had occasion to discuss it with him, and referred to the cessation of his short-lived connection with the property, which I took as a matter of course. To my surprise, he interrupted me: "Hold on! Not so fast! I am not through with this thing yet, by any means. I can't be played fast and loose with like this. I did not care particularly to go into it, as you know; but, having been urged to do so and having done so, I am in it to stay." "Of course, you have a just grievance against the men who have quit," I said. "Having asked

you of their own initiative to coöperate with them, it was a mean and improper act on their part to sell out without first conferring and consulting with you. But it's done, the newcomers are in rightful control, it's no use making a fuss, and it seems to me that the best, and indeed the only thing for you to do is to look pleasant and get out. As a matter of fact, why should you care? That railroad is of very little interest to you."

He reiterated his view, and his determination not to give in. "Well," I said, "what are you going to do about it? They have the right to turn you out without ceremony, if you do not give way gracefully." "I don't know yet," he answered. "I'll just stand pat and not budge, and watch."

After a while the newcomers found out that, while all the others concerned accepted the situation, Mr. Harriman would not quit without a fight. Though they were clearly in a position to win, as far as their immediate object was concerned, they hesitated to attack so determined an opponent.

Won't get out of way of steam roller.

Things went on like this for several months, Mr. Harriman retaining an attitude of quiet but uncompromising defiance. The newcomers somehow or other began to feel uncomfortable. Here was a man who was beaten, yet did not know it, did not get out of the way of a steam roller, as he obviously ought to have done according to all the rules of self-preservation; and who now and then, metaphorically speaking, made a significant movement toward his hip pocket. His attitude disturbed them. They could not make it out.

It was contrary to all logic, experience and usage that a man should flatly and obstinately decline to step out when they had the actual power, by the simple process of casting their votes, to throw him out. What did it all mean? Was there any weak point in their position, which they had overlooked? They had the votes, a clear major-

ty; yet Harriman must have some good counter-move up his sleeve, something which gave him that calm confidence to stand up and jauntily invite a fight.

A bluff, perhaps? They were pretty good at that game themselves, but they argued that manifestly it would have been too easy to call that hand to warrant reliance on the diagnosis of a mere bluff. Moreover, their guess was not so very far from right. There were, it is true, some of the ingredients of bluffing in his attitude, but if it had come to a fight, Mr. Harriman would have given them a pretty lively tussle, even though ultimately, if they saw it through, they were bound to win.

Mr. Harriman was not averse to something resembling bluffing, in fact he rather enjoyed the sport; but he never indulged in that pastime without having previously been careful to put himself in such a position that, if a test of strength was called for, he could, if not win, at least give such an account of himself that his opponent would become imbued with a wholesome respect for his fighting capacity, and would be extremely disinclined to tackle so formidable and resourceful an antagonist in the future.

Harriman at enemy's headquarters.

However, in this instance no fight occurred. The hostile armies kept confronting each other—Mr. Harriman immovable and inscrutable; the enemy hesitant and rather troubled. One morning he called me on the telephone to ask me to accompany him to a conference at the enemy's headquarters. I went, somewhat in the capacity of second at a duel. He gave me no indication as to what the proceedings were to be.

The conference lasted three hours. Most of the talking was done by the other side. Mr. Harriman did not threaten or cajole or make promises. He simply brought to bear upon these men the stupendous force of his will and personality. When the conference broke up, not only was there no longer any question of his retiring,

but the newcomers had agreed to turn over to him their votes and proxies, and to let him run the property.

The object in itself was by no means great or important or essential to Mr. Harriman's plans. It became important to him when he found that its attainment was a challenge, when he found himself confronted with obstacles and opposition. He positively loved difficulties, and the harder to surmount, the more they allured him. Difficulties, risks, dangers were not only no deterrents, but rather inducements to undertake a task. I once told him I suspected him of purposely creating obstacles for himself for the mere sport of overcoming them, as a keen horseman will go out of his way to jump hurdles and fences, as a mountain-climber will test his skill and daring by deliberately choosing a trying and dangerous ascent.

II

His determination was unyielding.

The particular incident which I have related, especially impressed itself upon my mind in all its details, because it was the first time I had seen Mr. Harriman in action under such circumstances. I witnessed many similar cases in the further course of his career, during which it was my privilege to be closely affiliated with him. Over and over again did I observe him bending men and events to his determination, by the exercise of the truly wonderful powers of his brain and will; powers which accomplished their fullest potentialities because they were united with unwavering loyalty under all circumstances and with a sacred respect for any commitment entered into. A moral obligation, to him, had the same force and meaning as a legal contract.

Not infrequently, he would come to meetings at which ten or twelve men sat around the table with him—men, too, of no mean standing in the business community—a large majority of whom were opposed to the measures

he would propose. Yet, I know of hardly an instance of any importance where his views did not prevail finally, and, what is more, generally by unanimous vote. If he did not succeed in what he had set himself to achieve at the first attempt, or the second, or the third, he would retreat for a while; but he never gave up; he moved on toward the attainment of his object, tranquil, undismayed, resourceful, relentless as Fate, with that supreme patience which, according to Disraeli, is a necessary ingredient of genius.

The Harriman-Ryan duel.

When Mr. Thomas F. Ryan bought the control of the Equitable Life Assurance Society, Mr. Harriman considered himself entitled to share in the purchase and put forward a claim to that effect. Mr. Ryan, being in possession, refused positively and publicly. For five years nothing more was heard of the matter, and even Mr. Harriman's intimate associates thought he had dropped the idea. Only a short while ago it became known that a year before his death Mr. Harriman had finally succeeded in his object, having secured from Mr. Ryan one-half of his holdings at their original cost.

A high-placed personage temporarily residing in Japan during the year 1905 told me that the most amazing thing he had ever witnessed was the way in which Mr. Harriman in the course of a ten days' visit to Tokio made a whirlwind campaign among the leading men, and succeeded in carrying away from the wily, wary, slow-moving Orientals a most important contract—so important and so far-reaching that, had it been carried out (and it was no fault of Mr. Harriman's that it was not), the course of Far Eastern diplomacy in recent years would have been different in certain essential aspects.

I was asked sometimes, when things that had seemed utterly improbable of realization were finally accomplished by Mr. Harriman, to give a reason why the parties concerned had yielded to him. What was the

inducement? What the motive of their action? Why had they done finally what they had declared they would not do, or what there was no plausible explanation for their doing? My answer was: "Simply because Mr. Harriman had set his will and mind to work to make them do it."

He once said to me, early in our acquaintance: "All the opportunity I ever ask is to be one among fifteen men around a table."

His not the gifts of the "easy boss."

Yet he had neither eloquence nor what is ordinarily called tact or magnetism. His were not the ways or the gifts of the "easy boss." Smooth diplomacy, the talent of leading men almost without their knowing that they are being led, skillful achievement by subtle compromise, such were not his attributes or methods. His genius was the genius of the conqueror, his dominion was based on rugged strength, iron will, irresistible determination, indomitable courage, tireless toil, amazing intellect and, last but not least, upon those qualities of character which command men's trust and confidence.

He was constitutionally unable either to cajole or to dissemble. He was stiff-necked to a fault. It would have saved him much opposition, many enemies, many misunderstandings, if he had possessed the gift of suavity, the faculty of placing a veneer over his domineering traits, so as to make the fact of his chieftainship less overt, and thereby less irksome. Sometimes, when even some of his close associates would chafe under his undisguised authoritativeness, I ventured to plead with him that the results he sought could just as surely be obtained by less combative, more gentle methods, while at the same time avoiding bad blood and ill feeling. Invariably his answer was:

"You may be right that these things could be so accomplished, but not *by me*. I can work only in my own way. I cannot make myself different, nor act in a way

foreign to me. They will have to take me as I am, or drop me. You know me well enough to realize that this is not arrogance on my part. I simply cannot achieve anything if I try to compromise with my nature and to follow the notions of others."

III

His progress was bitterly contested.

To a man thus constituted, the world did not yield its rewards easily or willingly. The way to the heights of power leads always through the valleys of envy, jealousy and animosity; but in Mr. Harriman's case the opposition and the enmities which disputed and contested his progress were bitter, violent and numerous far beyond ordinary measure. Yet, by the irresistible force of his genius, he acquired in the space of but ten years a position in the railroad world such as no man had held before him, and no man, I believe, will hold again.

He attracted power rather than men.

Though he was lacking in the faculty of attracting men in general (I say "in general," because upon those who came close to him the spell of his personality was most potent), he did have the gift in a most marvelous degree of attracting power as the magnet attracts iron. At the time of his death, the papers were full of comments as to the vastness of the territory in which his influence was preëminent or controlling; but the most remarkable thing, to my mind, was not the extent of his power, which was greater even than is generally known and by no means confined to the railroad fields only, but the fact that his commanding position rested not on money, but on personality.

I do not think that the greater part of his fortune was invested in railroad stocks; and, if every cent of it had been so invested, it would have amounted to but a small fraction of the share capital of the properties in which his influence was predominant. He became gradually the

central power in the domain of the railroad industry and at the same time one of the greatest powers in finance, because his masterful ability, his constructive genius, the farsightedness and correctness of his vision, his faithfulness to trust reposed in him, impressed themselves, finally, upon friend and foe alike.

He had measured strength with all those who cared to cross swords with him, and out of every fight he had come, if not invariably victorious, invariably unscathed, bigger and stronger than before. The railroad properties in his charge had grown and prospered beyond all others. In the end, there were enemies left, but none that cared any longer to try conclusions with him. Not a few, even, of those formerly hostile, and many of those formerly indifferent, aloof or suspicious, felt compelled, at last, to acknowledge the genius of the man, and to pay him the tribute of seeking his coöperation.

A marvelous business diagnostician.

During the last year of his life, his office, or more correctly his library uptown (for at that period he did not usually go downtown oftener than once or twice a week), resembled the office of a famous physician during consultation hours. Properties in feeble health were brought to him by anxious parents for prescription and treatment. Intricate corporation problems were submitted to him for diagnosis. Some enterprises that he had treated and restored to good health presented themselves for inspection, having learned the wisdom of remaining under his care. Even big, strapping concerns, apparently in perfect health, would drop in and have themselves looked over, as a precautionary measure, and take advice how to guard against sickness and keep in good trim.

As his fame increased, owing to some particularly brilliant cure or the patronage of some especially important patient, the number of those that flocked to his consultation rooms became greater and greater—so much

so that, to my personal knowledge, many had to be turned away, simply because the famous physician could not possibly find time to attend to them.

This was Mr. Harriman's situation from the spring of 1908 to the time of his lamented, untimely death in September, 1909, less than twelve years after his great opportunity had come to him in his election to the Board of Directors of the Union Pacific Railroad.

The beginning of his Union Pacific activities.

Contrary to the general impression, he had had nothing to do with the financial reorganization of that property consummated in 1897. That measure—after years of receivership during which the system had become dismembered through the secession of its most important branches, feeders and outlets, until nothing was left of the old Union Pacific system but the bare trunk stem, after infinite delays, complications and difficulties—that measure was finally accomplished by a committee consisting of Messrs. Louis Fitzgerald, Jacob H. Schiff, T. Jefferson Coolidge, Jr., Chauncey M. Depew, Marvin Hughitt and Oliver Ames, with Mr. Winslow S. Pierce as counsel, and Messrs. Kuhn, Loeb & Co. as financial managers. It was only after the property had been acquired by the Reorganization Committee at foreclosure sale, that Mr. Harriman was elected a member of the first Board of Directors, in December, 1897, in compliance with a promise made to him in the course of the reorganization proceedings.

Almost all the members of the Board had been previously connected with the Union Pacific, either through old affiliations or through membership in the Reorganization Committee. Mr. Harriman was a newcomer, and by several members of the Board his advent was not regarded with friendly eyes. He was looked at askance, somewhat in the light of an intruder. His ways jarred upon several of his new colleagues. By some of them he was considered as not quite belonging in their class from

the point of view of business position or financial standing—a free lance, neither a railroad man nor a banker nor a merchant.

Within one short year he had placed himself at the head of the Board, and become the ruling spirit, the dominating force of the enterprise. If you ask me how this amazing transformation was accomplished, I can only refer you to other examples which history records of the phenomenal rise of those exceptional beings whom Providence has endowed with such qualities as to compel the acceptance of their leadership by their contemporaries.

IV

Harriman and the Union Pacific.

The story of the rise and development of the Union Pacific under Mr. Harriman's magic guidance; the metamorphosis by which the rather pathetic object which emerged from the receivership, stripped of its outlets and most important branches, ending rather helplessly at the borders of the Great Salt Lake, was turned in an incredibly short time into the magnificent system of today; the startling, almost uncanny, rapidity with which Mr. Harriman assimilated and mastered all the intricate details, problems and difficulties of railroading, and became an acknowledged master in that science after having been engaged all his life in financial pursuits (except for a very short term as vice-president of the Illinois Central Railroad, in Chicago); the boldness and accuracy of his conceptions and visions, the daring of his strategy, the dramatic incidents which accompanied his conquering career—all this has been so fully and frequently told in newspapers and magazines that I need not repeat it here.

Some figures on Union Pacific.

I will only point to the fact that in the first fiscal year following Mr. Harriman's election to the Union Pacific board the surplus earnings of the system applicable to $107,000,000 of common stock were $5,800,000. To-

day, taking the figures of the last fiscal year, the surplus earnings of the Union Pacific system (excluding the Southern Pacific) applicable to $216,000,000 of common stock are $41,500,000. From the time Mr. Harriman assumed the direction of affairs to the time of his death, $127,000,000 was spent in improving the property, for three-quarters of which sum (to be exact, $94,000,000) not one dollar of capitalization was created. The free assets held absolutely unencumbered in its treasury have an aggregate value of $210,000,000.

It is essential to remember, in contemplating these truly astounding results that they were achieved with no increased burden to the public. On the contrary, the shippers and others using the lines of the Union Pacific system were benefited alike with the stockholders. Indeed, whenever there was a question between increased returns to the stockholder and increased efficiency to the railroad, Mr. Harriman invariably chose the latter course. As a matter of fact, he cared altogether more for the approbation of the people served by the lines of his railroads, than for the applause of the financial or any other part of the community.

I have sometimes heard it said that the remarkable accomplishments indicated by the figures above quoted were due mainly to the unprecedented growth in wealth and prosperity of the territory served by the Union Pacific System, and not to the genius of Mr. Harriman; that the country made the Union Pacific and would have made the Union Pacific, Harriman or no Harriman. There is just a sufficient modicum of truth in this assertion to warrant contradiction.

He foresaw the era of great prosperity.

That the growth and prosperity of its territory were indispensable to the growth and prosperity of the Union Pacific goes without saying; but this growth and prosperity, during the last decade, were universal throughout the country west of the Missouri River, and their

benefits were available to all other Western railroads to the same extent as to the Union Pacific. Yet, there is not a single line that comes close to equaling the record made by the Union Pacific, and it is the uniqueness of the Union Pacific's attainments, considering not only the financial results to the stockholders, but also the standard of efficiency, service to the public, physical condition, financial strength and resources, which measures the uniqueness of Mr. Harriman's genius as a railroad man.

I will cite a characteristic instance of how he began his campaign of efficiency:

Immediately after he had succeeded in having himself elected chairman of the Executive Committee of the Union Pacific, in 1898—a consummation in the attainment of which I am proud to claim a share as his fellow-conspirator—and while the superior office of chairman of the board (later on occupied by him) was still held by another, he started on a tour of inspection of the property. He went over every mile of the line, taking the measure of the officials in charge, interviewing shippers, establishing his authority with the surprised and somewhat reluctant personnel of the organization in the West, who had hardly heard his name before and did not quite know what to make of, and how to act toward, the nervous, rapid-fire, little man who came blowing in like a whirlwind, sweeping fresh currents of air into all sorts of dusty nooks and corners.

Telegraphed for authority to spend $25,000,000.

After a few weeks he telegraphed to the Board of Directors in New York asking for authority to purchase immediately a large quantity of cars, locomotives, rails, etc., and to start various works of improvement, the total aggregating, as I remember, something like $25,000,000. The telegram was followed by a written communication setting forth the reasons for his request and the main details of the proposed expenditure.

The reasons, in short, were that he clearly discerned

gns of returning prosperity after the long period of epression; that he believed this prosperity would assume roportions corresponding to the depth and extent of ie long drawn out and drastic reaction which had pre-eded it; that labor and materials were then exceedingly ieap, but would be certain to advance before very long; iat the Union Pacific should put itself in shape to take are of the largely increased traffic which he foresaw nd to attract business to its lines, by being better pre-ared for it and thus affording shippers better facilities ian its neighbors.

At that time the Union Pacific had just emerged from eceivership. During the years of the receivership all of s surplus earnings had been spent on increasing its roll-ig stock, improving its physical condition, etc., so that was supposed to be amply supplied with facilities to andle its then existing volume of traffic. And $25,-00,000 was a vastly greater sum in those days than owadays, when the stupendous development of the ountry has made railroad expenditures of proportionate ze familiar. It seemed a pretty hazardous thing to ven-ure upon this huge outlay simply on a guess of coming reat prosperity.

Directors uncertain about his judgment.

There was much doubt in the board as to whether Mr. Harriman's recommendation should be followed. I re-iember that the statement was made that if it were ollowed the Union Pacific would find itself in receiver's ands again before two years had passed. The decision vas finally reached to take no action of either approval r disapproval, but to let the matter stand over until Mr. Harriman's return to New York. He came home, and fter long and strenuous argument he carried the day. The appropriation for the expenditures advocated by him vas made, though with considerable headshaking and nisgiving. Events thereafter proved that it was this ourageous outlay, at a time when the dawn of unex-

ampled prosperity which was to come was barely discernible, and the intelligent and efficient application of these funds, which started the new Union Pacific on its amazingly successful career and placed it, with one bound, in the forefront among Western railroads.

Incidentally, I may mention, as characteristic of the man, that Mr. Harriman felt so certain of the correctness of his judgment, and of his ability to carry the board with him (though he had no illusions as to the sentiment of some of its members regarding him and as to the fatal consequences to his career in case his forecast should turn out to have been mistaken or even premature), that, in order not to lose time and opportunity while he was still in the West, he took upon himself the responsibility, at his personal risk, of concluding several large contracts for purchases and work included in the program advocated by him.

When he began to accumulate common stock of Union Pacific.

Some months before, he had caused his associates to wonder and doubt, by buying all of the Union Pacific common stock he could accumulate, up to the price of 25% or thereabouts. He must have acquired many thousands of shares, for the stock had long been selling freely between 15 and 20%. It was considered to have very little intrinsic value, and no dividends were in sight for the preferred stock, much less for the common. I recollect an influential financial personage saying to me about these purchases, which at the time attracted a good deal of comment: "You see, the man is essentially a reckless speculator. He is putting everything he has, and more, into Union Pacific stock at these prices. He is sure to come to grief yet."

When, in conversation with Mr. Harriman, I referred to the subject of these purchases and comments, he said calmly: "Union Pacific common is intrinsically worth as much as St. Paul stock. With good management it will get there."

It seemed pretty wild talk, and even though I had conceived great admiration for him and great faith in him, at that time already, I took it with a large grain of salt. Union Pacific, just emerged from wreck and ruin: St. Paul, an old, seasoned "dividend payer" that had passed with ease through the panics and devastations of the preceding years and was even then selling above par! But within less than ten years from the time Mr. Harriman had made what then appeared a preposterous prediction, Union Pacific had been placed upon an annual dividend basis of 10%, was selling in the market at close to 200% and had left the price of St. Paul far behind.

Increased dividend from 6% to 10%.

Those who are familiar with Wall Street events will know that in August, 1906, the Union Pacific dividend was jumped from an annual rate of 6% to 10%. This act unchained a storm of criticism against Mr. Harriman. He was accused of having perpetrated a stock-jobbing trick—as the property, it was thought, could not possibly maintain that rate of dividend—and of having bought stock on his advance knowledge, immediately preceding the declaration of the increased dividend, so as to profit from the rise in the market which was bound to follow, at the expense of other holders who had no knowledge of what was contemplated.

Both accusations were unjustified. The Union Pacific Railroad has maintained with ease, and gives every promise of continuing to maintain, a distribution of 10% per annum, derived to the extent of 6% from the earnings of the railroad, and to the extent of 4% from its investment holdings.

V

He planned his moves far ahead.

Anybody who knew anything of Mr. Harriman's methods knew that his acts were not the results of sud-

den impulse, but of plans long prepared and determined on; that he had gone on record at every opportunity as advising owners of Union Pacific stock to retain their holdings; and that if he wanted to increase his own holdings he would do so (as, in fact, he invariably did) in times of depression and not wait to rush in a few days or weeks before the advent of some favorable consummation.

At one of the several hearings, in the course of which he was examined later on, he was asked by counsel for the attacking side whether it was not a fact that he had bought Union Pacific stock in anticipation of the 10% dividend declaration, the meaning of the question being of course the accusation that he had unfairly taken advantage of his advance knowledge of the contemplated increase. To everyone's surprise, Mr. Harriman calmly answered "Yes." The examiner turned toward the audience with a triumphant smile and continued: "Mr. Harriman, as you have been thus frank, would you mind telling me approximately when and at what prices you bought those shares which you have just admitted you acquired in anticipation of the increased dividend?"

Mr. Harriman smiled faintly in his turn as he answered: "Certainly, I shall be glad to tell you. Let me think back a minute. I bought most of that stock, many thousand shares of it, *in anticipation of the 10% dividend declared August, 1906,* some eight years before, mainly in 1898, and I paid all the way from 20 to 30 for it. And I bought more of it in subsequent years, whenever prices were low, many thousand shares more. And all the time while I was accumulating it I anticipated the declaration of that dividend."

In telling this story, I do not wish to be understood as endorsing the wisdom and propriety of the increase of the Union Pacific dividend from 6% to 10% *at one*

jump. It was one of the few instances in which I ventured to differ from Mr. Harriman's judgment. A man at the head of a great corporation not only must *do* right, but must be very careful to avoid even appearances tending to arouse suspicion of his not doing right. The fact and manner of that particular act lent themselves to sinister interpretations, unjustified though they were. But regard for appearances was not one of Mr. Harriman's strong points. He had little patience for such considerations, and declined to recognize their importance.

His ways and manner.

While he was a gentleman by birth and breeding, by instinct, intent and principles, yet he did not mind riding roughshod over conventionalities and amenities. While he was inwardly a man of genuine kindliness, of whom many a generous and warm-hearted action might be related, and would not for the world knowingly have hurt anyone's feelings, he had an extraordinary faculty for doing that very thing, for rubbing people the wrong way, for causing himself and his actions to be misunderstood and misjudged. He was a master of what Whistler called "the gentle art of making enemies." His manner was brusque; he was short-tempered, though he had his temper under perfect control and never lost it whatever the provocation—in fact the greater the strain the more perfect his calm and self-possession.

He had infinite patience in working out plans, in biding his time, but very little intercourse with men. His mind worked so rapidly, his thoughts crowded upon him at such a rate, that his words would not come anywhere near keeping pace with the working of his brain. The consequence was that in discussions he raced for the points he wanted to make, taking short cuts of thought and expression, expecting the bewildered listener to keep up with the chase, with the result that not infrequently he was

but half understood, or not at all understood, by those who had not, through prolonged association, acquired the faculty of reading his mental shorthand. He desired, like every normally constituted man, to possess the good opinion of his fellow men, yet he had not only a strange ineptitude for getting on friendly terms with public opinion, but indeed a veritable genius for what is commonly called getting himself into hot water, and of laying his motives and his acts open to misconstruction.

This was due in the first place to a highly honorable trait in his character: he utterly despised and abhorred hypocrisy and opportunism, he resolutely declined to stoop to any artifices to curry favor, in fact he leaned over backward in his dislike of all methods of self-advertising. Conscious of his worth, of his achievements, and of his rectitude of purpose, he scorned to defend himself against accusations and intrigues.

The attraction of obstacles and combat.

It was due secondly to the magnetic attraction which difficulties, obstacles, and particularly everything in the nature of a combat had for him. If there was any fighting going on within earshot, however little it might concern him, he was tempted to take a hand in the fray, and the greater the odds against his side, the better; the natural result being that, in addition to the number of adversaries and detractors that a man normally meets in the struggle for success and power, he was continually recruiting enemies in quarters that lay outside his regular marching route—and not all of those fought fairly.

A good instance of this propensity is afforded by his participation in the fight which arose from the antagonism of the Alexander and Hyde factions in the Equitable Life Assurance Society in 1905. Mr. Harriman had had nothing whatever to do with the original trouble or with the Equitable itself except that he was one of about sixty trustees of the concern, and a very inactive one a

hat. There was no earthly reason why he should have been drawn into the fierce and bitter contest which arose, but in he jumped with both feet and laid about with such vigor that in the end he became almost the principal and probably the most attacked figure of the conflict, both the warring factions pausing in their fight against each other to pour their fire of abuse and innuendo upon him.

Probably, of the many campaigns of vituperation of which he was the object in the course of his career, none succeeded so well in poisoning and embittering the public mind against him. Under this avalanche of unfair, baseless accusations he kept the even tenor of his way, declining to dignify them by defending himself in public. On this and similar occasions I urged him to speak out, to make use of the means at his command for hitting back at his detractors, and those who willingly and eagerly gave circulation to their slanders. I was never able to move him.

Those who kick against air.

"Let them kick," he used to say. "It's all in the day's work. After a while they will tire of it. Nothing tires a man more than to kick against air. Moreover, it disconcerts him, and not finding any point of resistance he is very apt to intensify his kicks beyond all measure and get some movement of particular violence to kick himself off his feet. Besides, for immediate effect, they have the advantage because they will tell lies about me, and I won't about them. And as for the effect in the long run, why, the people always find out what's what in the end, and I can wait. Let those fellows continue to shout and to kick against air. I need my time and energy to *do* things."

The third reason for the widespread and long-continued popular misconception as to Mr. Harriman's motives, character and methods, arose from the fact that

he failed to recognize, as indeed most financiers of his day failed to recognize, that a man holding the power and occupying the conspicuous place he did was a legitimate object for public scrutiny in respect of his ways, purposes and actions, and that if opportunity for such scrutiny were denied, if the people were met instead with silence, secrecy, impatience or resentment at their proper desire for information, the public mind very naturally would become infected with suspicion and lend a willing ear to all sorts of gossip and rumors. The temptation to the arbitrary, excessive or selfish exercise of power is so strong, the menace of its abuse is so ever-present to the public consciousness, that the burden of proof that they can be safely trusted with its possession is rightly laid upon those in high positions. It is for them to show cause why they should be looked upon as fit persons to be entrusted with authority, the test being not merely ability, but just as much, if not more, character, self-restraint, fair-mindedness and sense of duty toward the public.*

*PUBLISHERS' NOTE: The author has elaborated his views on this subject in a subsequent speech (not included in this volume), from which it seems appropriate to quote the following passages:

One of the characteristics of finance heretofore has been the cult of silence; some of its rites have been almost those of an occult science.

To meet attacks with "dignified silence," to maintain an austere demeanor, to cultivate an etiquette of reticence, has been one of its traditions.

Nothing could have been better calculated to irritate democracy, which dislikes and suspects secrecy and resents aloofness.

And the instinct of democracy is right.

Men occupying conspicuous and leading places in finance, as in every other calling touching the people's interests, are legitimate objects for public scrutiny in the exercise of their functions.

Tennyson wrote of the "fierce light that beats upon a throne," and the people insist, very properly and justly, that the same fierce light shall beat upon those in dominant places of finance and commerce.

Finance, instead of avoiding publicity in all of its aspects, should welcome it and seek it. Publicity won't hurt its dignity. A dignity which can be preserved only by seclusion, which cannot hold its own in the market place, is neither merited nor worth having, nor capable of being long retained.

His conscience was his judge.

Mr. Harriman's attitude toward the law of the land has been much misinterpreted and misunderstood. To begin with, he had profound respect for the moral, the ethical law, and under no circumstances and under no temptation would he ever have done anything which was not justified before the tribunal of his own conscience, his own honest conception of right and wrong.

To that conviction of the rectitude of his purpose and actions was added the firm belief in himself which is a characteristic of all strong men. He was actuated by a profound and unwavering faith that what he, after mature thought, felt should be done, was best for the properties of which he was the directing head, was of benefit to the communities which they served as well as

We business men must more and more get out of the seclusion of our offices, out into the rough and tumble of democracy, out—to get to know the people and get known by them.

Not to know one another means but too frequently to misunderstand one another, and there is no more fruitful source of trouble than to misunderstand one another's kind and ways and motives.

Every man who by eminent success in commerce or finance raises himself beyond his peers is in the nature of things more or less of an irritant" (I use the word in its technical meaning) to the community.

It behooves him, therefore, to make his position as little jarring as possible upon that immense majority whose existence is spent in the lowlands of life so far as material circumstances are concerned.

It behooves him to exercise self-restraint and to make ample allowance for the points of view and the feelings of others, to be patient, helpful, conciliatory.

He should beware of that insidious tendency of wealth to chill and isolate. He should be careful not to let his feelings, aspirations and sympathies become hardened or narrowed, lest he get estranged and grow apart from his fellow men; and with this in view he not only should be approachable but should seek and welcome contact with the workaday world so as to remain part and parcel of it, and to maintain and prove his homogeneity with and fellowship in it.

And he should never forget that the advantages and powers which he enjoys are his on sufferance, so to speak, during good behavior. The theory of their conferment rests on the consideration that the community wants the talents and the work of those gifted with the creative and directive faculties, and grants liberal compensation in order to stimulate them to the effort of using their capacities, since it is in the public interest and needful for the world's material progress that such capacities should be utilized to their full extent.

He should never forget that the social edifice in which he occupies quarters so desirable has been erected by human hands, is the result of

to the country at large, and was ethically right and proper to be done.

He chafed and fretted strenuously when the letter of some statute, possibly drawn without a full realization of its practical effects, stood in the way of what he considered to be absolutely proper and beneficial objects to accomplish. He was irritable and impatient at stupid laws, as he was at all stupidity. He had to be shown to his entire conviction that the law did clearly stand in the way before he would desist from a purpose which he deemed just and right, but the realization of which would not have been in accordance with existing statutes.

infinite effort, of sacrifice and compromise, the aim being the greatest good of society; and that if that aim is clearly shown to be no longer served by the present structure, if the successful man arrogates to himself too large or too choice a part, if, selfishly, he crowds out others, then, what human hands have built up by the patient work of many centuries, human hands can pull down in one hour of passion.

The undisturbed possession of the material rewards now given to success, because success presupposes service, can be perpetuated only if its beneficiaries exercise moderation, self-restraint, and consideration for others in the use of their opportunities, and if their ability is exerted, not merely for their own advantage, but also for the public good and the weal of their fellow men.

In the political field, the ways not only of finance but of business in general have been often unfortunate and oftener still ineffective.

It is in conformity with the nature of things that the average man of business, responsible not only for his own affairs, but often as trustee for the welfare of others, should lean toward that which has withstood the acid test of experience and should be somewhat diffident toward the experiment and novel theory.

But, with full allowance for legitimate conservatism, it must, I believe, be admitted that business, and especially the representatives of large business, including high finance, have too often failed to recognize in time the need and to heed the call, for changes from the methods and conceptions which had become unsuitable to the time and out of keeping with rationally progressive development; that they have too often permitted themselves to be guided by a tendency toward unyielding, or, at any rate, apparently unyielding, Bourbonism instead of giving timely and sympathetic aid in a constructive way toward realizing just and wise modifications of the existing order of things.

And we must also concede, I fear, that business is prone to indulge in the futile and indeed harmful practice of crying "wolf" too easily and too often; that it is doing too much ineffectual "kicking" when the occasion calls for yielding or compromise, and not enough effectual fighting when that is really called for.

His attitude toward the law.

If there were substantial doubt he would be tempted to resolve the doubt in favor of his purpose and go ahead. Whenever possible, he would be a law unto himself. But he never, consciously, went counter to any existing law—unless it be that he may have paid little heed to certain enactments which, for many years, with the full knowledge and sanction of the constituted authorities, had lain dormant and, for lack of enforcement, had come to be looked upon as unenforceable and as hardly less obsolete than the old Puritan blue laws.

Nevertheless, somehow or other, true to his fatal gift of getting into trouble, he managed to become the storm-center around which the agitation for reform in railroad laws and practices raged most violently. He was held up to execration as the archetype of law-defying corporation manager. He was singled out as a horrible example, especially in connection with the Chicago and Alton readjustment, for which, by the way, he was only partly responsible, but, characteristically, took upon himself the full responsibility as soon as it was attacked, because he realized that the attack though nominally directed against that readjustment, was really directed against himself personally.

Chicago and Alton readjustment.

This is not the place to discuss the conception, the execution, and the ethics of the Chicago and Alton readjustment. It was planned and carried out during the years 1899 and 1900 in accordance with the then prevailing laws and usages, and following a formula which was not, at that time, regarded as open to criticism. Every step in connection with it was done publicly, in the full light of day. All stockholders were treated alike. The service of the railroad was improved, the capacity increased, the average rate decreased.

In the course of the fight made on Mr. Harriman in 1907, this transaction was gone over with a fine-tooth comb by the Federal as well as the State authorities to

discover ground for a suit; but no point whatever was found in which the law had been disregarded or violated.

Since the time of the planning and consummation of the Chicago and Alton readjustment, public opinion and the law have decreed changes in corporate methods. A transaction of this kind would, could and ought not to be effected now in the same way in which it was effected then. But it was and is entirely unfair to judge actions by standards other than those prevailing at the time, to make Mr. Harriman the scapegoat for practices and usages which had not then fallen under the ban of public disapproval, and to condemn with retroactive severity, in the light and according to the measure of latter-day doctrines, business methods which, with universal knowledge and tolerance on the part of the public and the authorities, had prevailed in the past for many years.

Harriman the text for violent tirades.

The land was set ringing with denunciations of Mr. Harriman. He was made the text for violent tirades against the iniquity and lawlessness of American business methods in general and of Harriman methods in particular.

Mr. Harriman was an intensely patriotic man, proud of his country, its institutions, and its achievements, always willing and eager to do his full duty as a citizen as he saw it; and he resented deeply—and so did his friends—the efforts of his detractors to represent him as a lawbreaker, and his phenomenal success as due, at least in considerable part, to his having managed to evade or set at naught the laws of his country.

VI

I have spoken of Mr. Harriman's love for a fight, but —lest this be misunderstood—I should add that, like every truly brave and strong man, he never picked a quarrel. On the contrary, he looked upon war as waste,

and he abhorred waste as a cardinal economic sin. One of the characteristics of the old methods of railroad management was for each company to seek by every means, and not infrequently by underhand and unfair practices, to advance its own interests at the expense of those of the others; and there existed among the different companies a constant state of warfare or, at best, armed neutrality.

The true interests of all of them, and often the interests of the public, were sacrificed for the purpose of obtaining some supposed advantage by one company to the detriment of another. Mr. Harriman was foremost among those who advocated and worked for the more enlightened policy of "Live and let live," of fair and frank dealing, and legitimate coöperation among railroad managers in the interest both of the railroads and of the public. He was unsparing of his time and his efforts in working for that cause.

Always fought fair.

He never started hostilities except as an ultimate resource, in self-defense or to safeguard what he conceived to be vital interests of the properties entrusted to his care. Yet he was a born fighting genius, and had he lived in an earlier age he probably would have ranked among those who with their swords carved kingdoms for themselves out of the map of Europe and founded dynasties. It is no mere phrase to say that he never knew the meaning of the word "fear"—either physical or moral. And, whatever the provocation or danger, whatever the weapons used by the enemy—and sometimes they were poisoned weapons—he always fought fair; he never struck a foul blow.

His word was equally good to friend and foe, and it was truly as good as his bond. No one, not even his bitterest opponents, ever accused him of having gone back on, or given a twisted meaning to, a promise or commitment. Never did he break faith—nor consider

himself free to do so in the remotest degree toward those even who had flagrantly broken faith with him. He was loyal to a fault. In more cases than one have I known him to take upon himself the whole brunt of defense or attack, from a fine feeling of chivalrous consideration for those on whom he might have unloaded part of the burden, and from a proud consciousness of his ability to cope with difficult situations single-handed and unaided.

Free from malice or vindictiveness.

Never have I met anyone more utterly free from vindictiveness and malice. Whether from religious sentiment (for he was deeply and genuinely religious), from principle, or simply because his nature happened to be constituted that way, vengeance, retribution, getting even, was no concern of his. When an opponent placed himself athwart his road, he used only so much force as was needed to get him out of the way, calmly, without passion, and with no desire to hurt. And when the tussle was over and he had overcome his antagonist and taken his measure and mentally registered his make-up and methods, the incident—as far as the personal side of it went—was settled and closed.

Likewise, toward those whom he had counted as friends, but who in time of stress, when he needed them most, had been found wanting, or, at least, lukewarm in their support, he had no trace of bitterness. He knew thereafter how far he could count on them, and made his plans accordingly—but that was all. No word of complaint or reproach, no resentment, no "rubbing it in" later on when association with him became again prized and coveted. No "crowing," no "I told you so" when events came his way and his judgment and course of action were vindicated.

The contest for Northern Pacific.

It would require a volume to tell the tale of all the contests in which he was involved, and highly interesting and dramatic it would be. The most spectacular episode of this kind in his career was the contest for the control

of the Northern Pacific Railroad. It was entered into, not, as has been somewhat widely believed, from ambition, from lust of power or aggrandizement, but in defense of what he considered vital interests of the property for which he was chiefly responsible and which he held to be gravely menaced by certain acts of other railroad interests. For the resulting unfortunate "corner" in the stock market no blame whatever attaches to him, and more than one of the incidents connected with the entire episode entitle him to high credit, as will become plainly apparent when the true and full story of the case is published, as it will be some day.

When the smoke of battle cleared away, the Harriman side was found to be in possession of a clear majority of the entire capital stock of the Northern Pacific counting Common and Preferred together, while their opponents held a majority of the common stock alone, by a very small margin. It should be mentioned that, to make assurance doubly sure, Mr. Harriman had planned to "turn up" with a majority of both classes of stock, which plan would easily have been accomplished but for certain circumstances beyond his control which I am not now at liberty to relate.

By the provisions of its charter, the company had the right to pay off its Preferred stock at par. Needless to say, so important and essential a clause had not escaped the attention of Mr. Harriman and his associates. It had not only received their most careful attention before they decided to accumulate the Preferred stock, but had been submitted by them to five leading lawyers in different parts of the country, who, acting and reporting separately, agreed unanimously in their answer to the question regarding which they were asked to advise. On the strength of these legal opinions and of other circumstances, Mr. Harriman was convinced at the time

and ever afterward that he held, beyond any question, the winning hand.

Instead of boldly playing it, he contented himself with something like a drawn battle and with terms of peace, which gave to the other side the appearance of having won the day. Thereby hangs a tale, exceedingly eloquent of his wisdom, foresight and self-restraint, of his chivalrous consideration for associates, and of his practice, to which I have alluded before, of never using any greater force than was necessary for the substantial accomplishment of his object. But the time for telling that story has not yet come.

VII

His wealth but a fraction of the wealth his genius created.

Mr. Harriman, as is well known, left an exceedingly large fortune, yet the wealth which he amassed was but a small fraction of the wealth which his constructive genius created. There was at one time a group of railroad men, of unsavory memory, who made their money out of wrecking and pulling down. Their antithesis was Edward H. Harriman. The vast bulk of his fortune he made by backing the country, in general, and the enterprises to which he mainly devoted his genius, in particular.

Any other man, who had the same faith in Mr. Harriman's constructive ability, judgment and farsightedness which he had himself, and the courage to back that faith as Mr. Harriman did many a time by every dollar he owned, would have come measurably near to reaping the same financial rewards, though of course, he would also have had to have Mr. Harriman's wisdom and self-control in choosing the time when to be bold and when cautious, when to venture far out with every bit of canvas spread and when to keep close to shore.

Money-making not an aim in itself.

But money-making was merely incidental with Mr. Harriman and not an aim in itself. It attracted him,

to begin with, for the sport of catching up with men who had an enormous start over him, as every sporting proposition attracted him—the greater the odds against him, the better. (I have known him, on a dare, a year or so before his death, to put on boxing gloves and venture on a friendly bout with an ex-pugilist—with rather painful results, it is true, to himself.) In the next place, he realized, of course, that money is one of the instruments of power, one of the standards—though, fortunately, by no means the only one—by which success is measured, and he required money, much money, to carry out his plans with as little dependence on others as possible, just as a general requires soldiers.

Mrs. Harriman's generous gift.

He was a man of very simple tastes and few wants, though when he became very rich he lived in the style of a very rich man, spending money freely and largely, but never ostentatiously or wastefully. It is worth noting that he never had any doubt that his opportunity would come, though he had to wait till he was nearly fifty years old before Fate remembered him, nor that one day he would be a very wealthy man though he was born very poor. In confident anticipation of this consummation, he bought many thousand acres of land near Tuxedo twenty years before he had the means to build a suitable country house. Mrs. Harriman, carrying out her husband's ideas, has most generously presented to the State, for a public park, ten thousand acres of this land, together with $1,000,000 in money.

His real purpose, to which—as I said before—money-making was merely incidental, was to do big constructive things; his real sport was to pit his strength and brain against those of other men or against difficult tasks; his real reward was the consciousness of worthy accomplishment, the sense of mastery, the exercise of power. An English friend, returned to New York after a trip over the Union Pacific system, said to him in offering con-

gratulations on the condition of the property: "The one single piece of actual railroading of which I should think you must be proudest and which must be most gratifying to you is the complete success of your wonderful bridge over the Great Salt Lake, for the feasibility and the undertaking of which you took the full responsibility in the face of many fruitless attempts in former years, and in the face of an almost universal disbelief in its practicability as a durable thing."

Mr. Harriman replied:

What Mr. Harriman considered his biggest achievement.

"No, the best single thing we did and which gave me most satisfaction was this: The Colorado River was overflowing, threatening to engulf thousands of irrigated acres in the Imperial Valley, which would have meant destruction to the lands and ruin to many settlers. The situation became more and more serious, the Government's efforts to control the river proved unavailing, and finally President Roosevelt telegraphed me to ask whether the forces of men and engineers we had could and would undertake the work of saving the situation.

"I wired our representative and asked him how long it would take to dam the flood and change the course of the river and what the expense of the undertaking would be. He reported that it would take such and such a time, that it would be a race between us and the flood, with our having a margin of safety provided he took every man within reach from all other jobs and put them on this one, and provided he was allowed to proceed without being held too closely responsible for the cost. He estimated the total expense at a somewhat startling figure, and added that most of it would be lost if we did not finish in time.

"I gave direction to suspend all other work, and to give this job the right of way over everything else, regardless of disturbance of traffic or of expense, and I telegraphed President Roosevelt that we could and would

undertake the task of saving the Imperial Valley. And then we started on the race with the elements, and I used every ounce of driving power I possessed to hustle the job as I have never hustled any job before. We beat the flood and averted untold loss and suffering. That was the best single bit of work done on my authority and responsibility. And"—he added—"here you have a case, with a vengeance, of virtue being its own reward, because Congress has not seen fit to pay us back our outlay, though the President sent it a message asking that we be reimbursed."

San Francisco earthquake.

An incident similarly worth recording as characteristic of the man was his action at the time of the San Francisco earthquake and conflagration. When the news of that catastrophe reached New York, he not only wired directions, without a moment's loss of time, to set all other traffic and work on the Union and Southern Pacific lines aside, and to concentrate all the energies and facilities of these organizations upon the task of rushing relief and affording assistance to the stricken city, irrespective of cost to the railroads, but hurried to San Francisco, himself, the very next morning, and his presence, counsel and coöperation were of no little advantage to that community in its magnificent struggle to recover from destruction and chaos.

Was planning ten years ahead when in shadow of death.

That Mr. Harriman was a man of vast ambition, ever restlessly striving forward and onward, reaching one goal only to set out immediately for another, goes without saying. And boundless as his ambition was his imagination—both, however, regulated and held in check by iron self-discipline and by the lucidity and sobriety of an intellect keen as a sword's edge. In a sense, he was a dreamer—but his dreams, by the power of his genius, became realities. To him, as to most great constructive and creative minds, limitations of time, consideration of years, did not exist. He planned for a generation ahead,

always having himself in mind as the man who would carry the plans to realization, giving no room to the thought that he might no longer be there to do so—again a trait of which history records many instances in the cases of men preëminent in creative work.

When I saw him in Munich, a few weeks before his death, and we exchanged reminiscences anent the achievements of the last ten years, he said to me: "There is more before us in the next ten years than we have accomplished in the last ten." Yet, at that time, the shadow of death was over him, he was pitiably and pathetically weak and frail, he could hardly stand up without support—but his spirit and courage were as dauntless, his brain, will, and faith in himself as strong as ever. He fought the powers of nature, he defied the physical deterioration which was rapidly breaking him up, with the same indomitable pluck, the same dogged refusal to be beaten, with which he had stood up against difficulties and tribulations all his life.

That he had fully prepared to make true the prediction which I have quoted became amply apparent after his death. In fact, the evidence then disclosed of the scope and sweep of his plans and the point to which he had already succeeded in conducting them came as a revelation even to his confidential friends.

C. P. Huntington said "Watch the details."

I once heard Mr. C. P. Huntington, president and creator of the Southern Pacific Railway, say, speaking of the art of managing a great property: "Watch the details. Then the whole organization will watch the details. That is the main thing. Big matters will always receive attention and will naturally come up to you anyhow." And I have heard another eminently successful man say speaking on the same subject: "Don't waste your strength on non-essentials. Never do yourself what you can hire someone to do equally well for you. Keep your head and time free for the big things, for those

things which must emanate from the commander-in-chief and which cannot be delegated."

Mr. Harriman's method was a middle course between these two doctrines, with a decided leaning, however, toward Mr. Huntington's theory. He was a tremendous worker, tireless, utterly unsparing of himself, with an amazing capacity for ceaseless toil. He demanded much of his co-workers and subordinates, but far more of himself.

VIII

The crisis in Mr. Harriman's career came early in the year 1907. A few of his bitterest enemies had set out the year before on a carefully planned, astutely prepared, campaign of destruction against him. To their banners flocked a number of those whom, in his conquering course, he had met and vanquished; some whom by his rough, domineering ways he had unknowingly offended; others who were simply envious and jealous; certain politicians whose ill-will he had incurred; many who, in perfect honesty and without any axes to grind, but basing their opinion mainly on hearsay, saw in his personality, his methods, his ambition and his growing power a real menace and danger to the public good, and, lastly, a few who had reason to throw public opinion off the scent and to divert vigilance and search from themselves by concentrating it on another.

"Harriman Extermination League."

This is not the place, nor has the time yet come, to describe the true inwardness of this remarkable episode which has in it all the elements and ingredients of melodramatic romance. The Harriman Extermination League—if I may so call it—played its trump-card by poisoning President Roosevelt's mind against Mr. Harriman, with whom he used to be on friendly terms, by gross misrepresentations, which caused him to see in Mr. Harriman the embodiment of everything that his own moral

sense most abhorred, and the archetype of a class whose exposure and destruction he looked upon as a solemn patriotic duty.

With Mr. Roosevelt leading the attack, the "League" felt so certain of its ability to hurl Mr. Harriman into outer darkness, defeat and disgrace that it actually sent considerate warnings to his close associates to draw away from him while there was yet time to do so, lest they be struck by fragments of the bomb which would soon explode under Mr. Harriman, and which was certain to demolish him. Mr. Harriman, of course, was fully aware of all this. He braced himself against the coming blow, but did nothing to avert it, let alone run away from it.

The Interstate Commerce Commission inquiry.

In February, 1907, the assault was begun with an investigation by the Interstate Commerce Commission into the practices, etc., of the Union Pacific Railroad, actually into those of Mr. Harriman himself. His enemies had planned better than they knew. Whether long continued, nerve-racking, physical suffering had for once affected his otherwise unfailing judgment (he told me later that during the year 1906 there was not a day in which he was not tormented by severe pain), whether the contemplation of the Union Pacific's dazzling prosperity overcame temporarily the hitherto so potent sobriety of his brain (he had just amazed the financial world by placing the concern on a 10% basis of dividends and by realizing for it a profit of $60,000,000 on the sales of its holdings of Northern Pacific stock), whether for once his vast and restless ambition had broken through his calm reasoning, or whether it was simply an unaccountable solitary error of judgment, such as is found in the career of so many among the leaders of men—whatever be the cause or the explanation, he took action in that year which, it has always seemed to me, was the one serious mistake of his management of Union Pacific affairs.

I refer to the purchases of very large amounts of stocks

of many other companies, which were made for the account, and placed in the treasury, of the Union Pacific. For some of these acquisitions, it must be said, there was valid, legitimate and, in fact, almost compelling reason, even at the then prevailing high prices; but for others it was and is difficult to discern sufficient warrant, especially considering the time and the cost at which they were made and the effect which they were likely to have and actually did have on public opinion.

Stock purchases for account of Union Pacific.

It is but fair to add that the problem of how to deal with the huge cash fund realized by the Union Pacific through the sale of its Northern Pacific stock holdings was difficult and complex, and that the operation of selling Northern Pacific stock and reinvesting the proceeds in the stocks of other lines did largely increase the annual income to the Union Pacific. Mr. Harriman, although admitting in later discussions that the time for making the purchase was inaptly chosen—so far, at least, as prompt action was not more or less compulsory to forestall developments which might have been seriously detrimental to the Union Pacific—never changed his belief that the entire transaction, looked upon primarily as a change of investments, was advantageous to the Company, and would ultimately be found to carry with it important and legitimate collateral benefits.

These transactions, first becoming known to the public through the investigation of the Interstate Commerce Commission, which gave them a doubly suspicious appearance (they would, as a matter of course, have been disclosed anyhow in the next annual report of the Union Pacific), lent color to the impression that Mr. Harriman was aiming at a gigantic illegal monopoly of the railroad industry. The resulting public resentment—intensified by the simultaneous and unfair presentation of the old Chicago and Alton transaction, added to the latent irritations, enmities and apprehensions which his career and

his ways had aroused, and fanned by the skillful and insidious publicity work of the Harriman Extermination League—unchained upon him a veritable cyclone of criticism, condemnation and defamation.

How Mr. Harriman acted on witness stand.

Mr. Harriman, on the witness stand, did little to set things right. He always made an indifferent witness, being impatient and rather resentful and defiant under examination, reluctant to explain so as to make things plain to the ordinary understanding, and disdaining to defend himself against misrepresentations or innuendo.

An inflamed public sentiment gave ready credence to the allegations, accusations and insinuations which were spread broadcast in the press, from the platform, in political assemblies, even from some pulpits. A kind of hysteria of fury against him swept over the land. He was denounced and anathematized as a horrible example of capitalistic greed, iniquity and lawlessness. The legal machinery of the nation and of several States was set in motion to discover some breach of the law, however technical, of which he might be held guilty and convicted. Fairness and charity were thrown to the winds. All the good work he had done counted as nothing. Anything said in defense or even explanation was contemptuously and indignantly brushed aside. His punishment was clamored for. His expulsion from the business community was demanded.

Anybody who would not dissociate himself from him was exposed to being looked upon as *particeps criminis,* a sharer of his guilt, deserving to share also the doom which was to overtake Harriman. And very few, alas! there were who remained truly loyal to him, and still fewer who dared believe that he would ever recover his old position of prestige and influence. Even of those who remained friendly to him and honestly meant well by him, the greater number advised him to bow before the storm, temporarily resign from the presidency of his com-

panies and retire to Europe for a year, giving as a reason the admittedly unsatisfactory condition of his health.

Many friends deserted him.

Amidst all this terrifying din, this avalanche of vituperation, misrepresentation, threatening and assault, amidst the desertion of some friends, the lukewarmness of others, amidst the simultaneous strain and stress of a financial panic (during which, moreover, he did more than his full share of the work of support and relief), Mr. Harriman stood firm as a rock, calm, silent and dignified, his courage never daunted, his spirit never faltering, strong in his faith in himself and the potency of truth, right and merit, sustained by the approval of his own conscience as to his motives and actions.

He did not complain. He asked nobody's help. He made no appeal for sympathy. He told no one that he was weak and ill and that the continuous nervous strain was a fearful tax on his impaired health. He stooped to no weapon not sanctioned by the rules of gentlemanly warfare, though plenty of them lay ready to his hand and though some of his opponents were troubled by no such scruple. He offered no compromise, no concession. He did not budge an inch. He never for one moment took his hand off the helm. And thus he rode out the storm.

The spectacle of a man undaunted, opposing his solitary strength and will to overwhelming odds, is always a fine and inspiring one. There have been contests far more important and spectacular and for far greater stakes, but I doubt whether any more superb courage in bearing and daring has ever been demonstrated than was shown by Mr. Harriman in those long months of incessant onslaught. This sounds rhapsodical and exaggerated, but it is not. Only one who in that period saw him from close by, as I did, who had the privilege of hearing him "think aloud" as he used to call it, can appreciate the marvel of the lofty, indomitable spirit which ani-

mated—one might almost say, which kept together—that weak, frail, sick, suffering body.

When he saved a great railroad from bankruptcy.

The fight lasted for a full year. Gradually the aspect of affairs began to change, gradually the effect of Mr. Harriman's brave and dignified attitude and masterful strategy began to tell. One fine morning it became known that, in the face of universal depression and discouragement, single-handed, opposing the judgment of a leading financial group, directing matters from a sick bed, he had saved a very important railroad from bankruptcy by one of those strokes of combined boldness and wisdom which had become familiar to those who knew him best and which, in this instance, through its sentimental and actual effect, marked the end of the 1907 panic.

IX

From that time on his star rose rapidly again. The people at last began to recognize that in his great constructive genius they possessed a national asset of no mean value. They also recognized that the man, his motives and purposes had been grievously maligned and misunderstood, and with characteristic impulsiveness and generosity they set out to give him plentiful evidence of their change of heart. The Harriman Extermination League broke up. The more generous of its members frankly acknowledged his great qualities, admitted that he had been wronged, and became his adherents. Others, from self-interest, made haste to climb on his band-wagon. Only a few irreconcilables continued to sulk and frown; but they no longer dared to attack him.

When the opposition collapsed.

He himself had learned in the bitterness and isolation of that one year that even the strongest cannot afford with impunity to ignore, or be lacking in consideration for, public opinion, and to allow himself, through aloof-

ness, secretiveness or otherwise, to be misunderstood by, and estranged from, the people. He became mellower and more communicative. His door was no longer closed to the agencies which inform, and thereby largely mold, public opinion. He no longer resented legitimate scrutiny or even curiosity. He went about to meetings of merchants, shippers and farmers, occasionally making addresses, and altogether "coming out of his shell."

He disliked to be "lionized."

The last year of his life resembled a triumphal procession. He became the fashion, the hero of hundreds of newspaper and magazine articles, a popular, almost a romantic figure. He was lionized, his association was coveted, his was a name to conjure with, he was in demand for great business occasions as a popular artist is for great social entertainments. While his pride would not admit it at the time, he had felt deeply and keenly the flood of slanders and attacks upon his honor, honesty and character, and the severe condemnation passed upon him by public opinion. Though he was too firmly sustained by his conscience and faith for these assaults ever to have caused him to feel humiliated or to hold his head less high, yet he would not have been human if he had not been gratified by the sweeping change in sentiment and opinion regarding him.

But, in a way, the old war-horse did not feel quite at ease as a spoiled and petted show animal. He said to me on one occasion during that time:

"It seems ungracious, but I don't really like that 'pedestal' business. It hampers one's freedom of movement. It makes a fellow self-conscious if he knows that he is expected to look pretty all the time. I feel as if I was wearing an evening dress suit and a 'dude's' high stiff collar all day long."

In serious moods he dwelt upon the great claim which the confidence and good will of the people gave them upon

his capacity to be of service to them, and upon his full and willing recognition of the resulting duty.

Elected to New York Central Board.

There were no longer any enemies to trouble him. The opportunity was now at last his to carry out his great plans of constructive work, without, as heretofore, constantly having to interrupt it, in order to guard his rear and flanks against attacks or to dash forward and give battle. Having been elected a member of the board and executive committee of the New York Central Railroad, a position which he had long desired to hold, he busily occupied his mind with plans relating to the Eastern railroad situation.

But his frail, ill body, which had been kept together—as it were—by sheer force of will as long as the fight was raging, collapsed when the strain and tension were relaxed.

In the early summer of 1909 he went abroad in search of health. A few months later he returned home to die. Those who were present at his landing from the steamer and who accompanied him on the journey from New York to Arden, his country place, will never forget the superb exhibition of grit, pluck, self-control and self-reliance of which they were witnesses on that occasion.

Mr. Harriman died on September 9, 1909, in his sixty-second year.

I have confined this sketch in the main to matters and considerations incidental to Mr. Harriman's business career. I have refrained, among other things, from touching on the important and somewhat stormy chapter of his political activities, as I have little first-hand knowledge regarding them, except in connection with certain episodes which are too recent and of too personal a nature to discuss at present.

It is significant of the tendency of Mr. Harriman's development that, though he had graduated from the "old" school of politics, he grew to hold rather heterodox views.

The statesman for whom in his last years I heard him oftenest express admiration and respect was the late Governor Johnson, the progressive Chief Executive of Minnesota.

He admired Minnesota's "progressive" governor.

Although regarding Governor Johnson as excessively advanced in some respects, and disagreeing with him on certain measures, in fact on certain fundamentals (Mr. Harriman being a Republican and Governor Johnson a Democrat), he used to refer to him as the type of radical who was neither demagogue, hypocrite, self-seeker nor time-server, and whose leadership would be increasingly within lines of safety and soundness. He spoke of him as a sincere, courageous and just man, open to reasoning and conviction, earnestly and painstakingly in search of the right, free from that instantaneous and intolerant "cocksureness" in dealing with intricate economic and other problems which he looked upon as an irritating and damaging characteristic of many reformers, whose zeal outruns their knowledge, mental discipline and sense of responsibility and of proportion.

His interest in the Boys' Club.

There is many another episode, many another manifestation of Mr. Harriman's character and spirit that I might and should like to relate, but that I must pass over because of the limitations both of time and of discretion. However, the picture would be essentially incomplete were I to omit referring to his family life, which was a model of what an American home should be, and where he was ever surrounded by affection, gentleness, devoted care and sympathetic understanding. Nor should mention be omitted of his many acts of kindness and helpfulness, of his ever ready and generous support of charitable enterprises, altruistic efforts and public-spirited undertakings, and in particular of his active interest in the Boys' Club of the City of New York, of which admirable institution he was President for many years, and

for the use of which he erected a fine building at the corner of Avenue A and Tenth Street.

X

It was my privilege to be closely associated with Mr. Harriman, to be honored with his friendship and confidence, to see him almost daily during twelve crowded and eventful years, to gain a close insight into the workings of his brain and soul. The better I got to know him, whom but very few knew and many misunderstood, the greater became my admiration for that remarkable man, the deeper my attachment. I am not blind to his shortcomings, but perfection is not of this world; and I believe it may be truly said of him, as it was said of another great man, that his faults were largely those of his generation, his virtues were his own.

Last of the empire builders.

I have said before that he came to hold a greater power in the railroad world than is likely ever to be held again by any one man. In this remark I had reference not only to the very exceptional combination of qualities in him (I know of no parallel to this particular combination in our industrial-financial history), but even more to the fact that his death coincided with what appears to be the ending of an epoch in our economic development. His career was the embodiment of unfettered individualism. For better or for worse—personally I believe for better unless we go too far and too fast—the people appear determined to put limits and restraints upon the exercise of economic power, just as in former days they put limits and restraints upon the absolutism of rulers. Therefore, I believe, there will be no successor to Mr. Harriman; there will be no other career like his.

To tell in full the romance of that wonderful career, to give a detailed account of that complex personality, to explain and make clear a number of matters the true in-

wardness of which has never yet been publicly told, is the work of a biographer, which I hope and believe will soon be undertaken. I have tried merely to give a sketch of the man's main characteristics and essential qualities as I saw them—sympathetically and admiringly, I admit; truthfully and without flattery, I believe.

A TALK TO YOUNG BUSINESS MEN *

THE committee which, on your behalf, did me the honor of asking me to speak before you, emphasized the wish that I give you something in the nature of a "message to young business men." I protested that such things are almost invariably trite and that, moreover, pretty nearly everything which can be said along that line of thought has been said, and said much better than I can do it.

The adventurous school of experience.

I argued that, from the Ten Commandments down to the latest popular "uplift" writer in the press, a vast literature of *do's* and *don't's* is at your disposal and that, were I able to give you the quintessence of wisdom, you would still go out and run your heads against stone walls and insist upon learning your lessons in your own way in the fascinating and adventurous school of experience, as many generations have done before yours and many will do after yours.

My objections were overruled, amiably but firmly. Therefore, what is now coming you have brought upon yourselves by proxy, and your grievance is not against me, but against your committee.

After having listened to my observations, some or all of you may object that what I am offering are counsels of perfection. I do not dispute that. Naturally, I would not give you a "message" which would advocate only a fractional attainment of a possible hundred per cent.

I admit freely that I should not like to have an expert appraisal made of the percentage by which I have personally fallen short of that hundred per cent. All I claim

* From an address delivered before the Harvard Business School Club of New York at the Harvard Club, November 13, 1924.

is that I have tried not to fall short too greatly and that the more my practical experience increases, the more I believe in the practical advantage, quite apart from ethical considerations, of pursuing the lines I shall endeavor to indicate in the ensuing remarks.

Please understand that these remarks are not meant to cover the subject exhaustively. Sundry items which would have to be included, if I were to attempt to draw a complete picture, I shall omit, in due recognition of the fact that there are limits to the strain which may be placed upon the patience of even so well-disposed and courteous an audience as I know you to be.

Well, then, for the "message."

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Every task is a test.

First. Eliminate from your vocabulary in working hours the word "perfunctory." Every task is a test. However trivial it may be, your manner of performing it will testify, in some way and to some degree, for or against you.

Shrewd observers sometimes will "size up" a man from the way in which he acts in unimportant matters rather than from his conduct in more weighty things, because it is when not observing himself, and not believing himself observed, that he is most apt to disclose an unvarnished picture of his true self.

A personal experience.

Let me tell you, as an instance, how and why I got my first promotion in business: The firm with which I was employed used to send out many hundreds of circulars daily. In the somewhat primitive circumstances of that day and place, sponges for the wetting of stamps were an unknown luxury. The process employed was the natural one of licking. From a sheet of one hundred stamps you tore off a row of ten, passed your tongue over the back of the row and then, by a deft manipulation, dispatched ten envelopes.

Three of us, sitting in a line, were engaged for a cer-

tain period each day in that proceeding. By dint of strenuous application, I soon became an adept at the job, and accomplished the triumph of holding the office record for speed in licking stamps, while yet observing the requirements of neatness and accuracy in placing each stamp straight and square in its proper place in the upper right-hand corner of the envelope.

Two or three times I noticed our "boss" standing near the place where we worked, but I had no idea that the—to me—great man would deign to observe our humble activity. After a while, he called me before him and imparted to me the joyous news that I was promoted out of my turn, in recognition of the zeal, energy and accurateness with which I had accomplished the functions of stamp-licker.

This little episode was, and has remained, a valuable lesson to me.

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Reputation most serviceable of assets.

Second. Remember that the most serviceable of all assets is reputation. When you once have it, and as long as you hold it, it works for you automatically, and it works twenty-four hours a day. Unlike money, reputation cannot be bequeathed. It is always personal. It must be acquired. Brains alone, however brilliant, cannot win it. The most indispensable requisite is character.

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There is no better investment than thinking.

Third. Think! Exercise the springs of your brain as you exercise the muscles of your body. Quite apart from the requirements of your regular work, practice your mental "daily dozen." There is no better investment, from every point of view, than thinking.

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Exercise your imagination.

Fourth. Go for a ride on the horse of your imagination from time to time. It's excellent exercise. It helps to keep you buoyant and elastic, and it may take you into new and interesting fields. But remember, it's a high-

strung animal and needs keeping under careful control, else it is apt to run away with you.

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Know how to wait, but be prepared.

Fifth. Be ready, be fully prepared, but be patient, bide your time, know how to wait. By all means, keep a sharp lookout for opportunities, recognize them and seize them boldly when they come within your reach. But do not think that every change means an opportunity.

A wise business man said to me at the beginning of my career: "It is not only the head that counts in the race for success. There is another part of your anatomy—you might call it the opposite pole—which is of the utmost importance. Learn to think and act, but also learn to *sit*. More people have got on by knowing when and how to sit tight than by rushing ahead."

In a less epigrammatic strain, I would add a word to "boost" the merit and potential profitableness of stick-to-it-iveness," of perseverance, of courage to "carry on" in the face of hope deferred and plans thwarted.

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Be hard-headed but not "hard-boiled."

Sixth. Consider as one of the essential requisites of your diet a supply of the milk of human kindness. To be hard-headed one does not have to be "hard-boiled." Be neighborly, be a good sport. Don't think that you can lift yourself up by downing others. It is willing arms that help to carry you upward, not bent backs.

Even from the point of view of mere advantage to yourself, it is more profitable to help others on than to keep others down. There is plenty of opportunity in America to go 'round. This is still the "country of unlimited possibilities," today as much as ever. Most of our rich men and practically all the men at the head of our great corporate concerns started from the ranks, from the very bottom of the ladder.

If you would rise, throw overboard envy and ill-will.

They are worse than useless ballast. They corrode the things they touch; they blight your equipment.

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Work hard, but don't become a machine.

Seventh. Work hard, don't spare yourself, don't be an eight-hour-a-day man, but don't permit yourself to become a machine. Work will not hurt you, however heavy. But keeping your thoughts, interests and activities in the same old rut, will. You are young. Presumably you have ideals. By all means, keep them. Whatever they are, keep them. Do not let alleged worldly wisdom make you believe that they are useless and futile. They are not. They are an asset of true value, aye! even in business. Even your illusions, don't give them up too easily.

You may be taken advantage of, once in a while, but that price is worth paying. "Such stuff as dreams are made on," is valuable stuff.

Don't become cynical. Don't scoff, don't lose faith. A great poet has said that nothing is more pathetic than to watch men of fifty and sixty, painfully, and usually in vain, trying to find again, and to pick up, ideals which they recklessly threw overboard in the days of their youth.

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Public affairs the business of every citizen.

Eighth. Take an interest and a due share in public affairs. It is not only your duty, as citizens of a self-governing country, to discharge the responsibilities of citizenship, but, even from the aspect of mere self-interest, it is good insurance to do so. Business cannot prosper unless the ship of state is run on a steady keel and steered with reasonable competence. Rock the boat of government and you retard, or even endanger, the boat of business. Indeed, the mere movement of the waters caused by the process of rocking is apt to upset some of the less sturdy craft of commerce, industry or finance.

That does not mean that you should be "stand-pat-

ters." On the contrary, seek to find, and to sail with, the current of progress. To be reactionary is to be lacking in imagination, in feeling and in judgment. Mankind is bound to move forward, with or without your aid. Don't shortsightedly attempt the vain task of obstructing its march. Put your intelligence and experience to use, as far as you have opportunity, toward aiding, with sincerity and good will, that movement along the right road and preventing it from going astray temporarily.

Try to be helpful in protecting against ignorant or demagogic assault the things which by test and trial have been found indispensable and vital for the preservation of a sound and stable basis of society and the American principles of government, but help, with equal willingness to inaugurate and realize those things which go to eliminate valid grievances, to remove grounds for just discontent, to advance social justice and to promote the common welfare.

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Meet men with confidence.

Ninth. Meet your fellow men with confidence, unless you have reason to suspect. Deceitful intent does not find it easy to stand up before frankness, fairness and faith. Don't think that you have got to go through business life, or any other phase of life, armed to the teeth. As a rule, you will find shield, breastplate, helmet and so forth, needless and hampering weights. True, your sword must be kept sharp, but the occasions when you are called upon to draw it out of its scabbard are very few indeed.

Skepticism and mistrust, in the case of men, are like great standing armies in the case of nations. They beget aggression. Confidence begets good will and reciprocal disarmament. It is neither weakness nor credulity. It is a self-respecting consciousness of one's own motives and a sane belief in the innate rightness of human nature.

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A word to those who attain success.

Tenth. To those of you who may attain conspicuous success, I would particularly address an admonitory word. The material reward which the world accords to business success is very large. It is disproportionately large as compared to the material reward bestowed upon work and achievement in other lines of activity.

The reason why this is so, and more or less has been so for many centuries, and why, on the whole, probably, it pays the world to stimulate by liberal compensation the intensest utilization of business capacities, it would take too long to enter into and seek to elucidate, on the present occasion.

Suffice it to say that the scale of that compensation presupposes value returned in commensurate service. If the so-called capitalistic system of society is to continue—as I believe it will and should, because on the whole it has done and is likely to do more for the progress and prosperity of humanity and for the greatest good of the greatest number than any other system I know of—it is particularly incumbent upon those whom it places in positions of business leadership to exercise self-restraint and consideration for others in the use of their opportunities, to prove themselves imbued with a due sense of public duty and to exert their abilities not merely for their own advantage but also—and increasingly so as their potency increases—for the benefit of their fellow men.

Success is not a free gift. Like everything else really worth having in life, it has to be paid for. If you do not assume and discharge responsibilities and duties in a measure commensurate with your success, you are, from the civic point of view, a defaulter.

Take heed to remember, those of you who, by eminent success, may raise yourselves beyond your peers, that it behooves you to do all you can to make your position as little "jarring" as possible to that immense majority whom Fate has not singled out for its favors.

Try always to understand and appreciate, and give due heed to, their points of view and their feelings. Be patient, helpful, courteous, conciliatory. Avoid ostentation. Abhor purse-pride and arrogance.

Beware especially of that insidious tendency of wealth to chill and isolate. Be careful not to let your feelings, aspirations and sympathies become hardened or narrowed, lest you get estranged, and grow apart, from your fellow men. Make it a point not only to be approachable, but to seek and welcome contact with the workaday world, so as to remain part and parcel of it and to maintain your fellowship in it.

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The advance in business ethics.

I am well aware that to the ears of those whose appraisal of business and business men is based upon isolated scandals or abuses, or upon the violent rantings of agitators ignorant of, or willfully blind to, the ethical strides of the last twenty-five years, blatantly reëchoing old war-cries which have become obsolete and irrational —I am well aware that to the ears of such as these my "message" will sound fanciful and incongruous, if not hypocritical.

You who have heard me will know whether it bears the accent of conviction. I might have tried to be more original, subtle and profound, but then I should have been less truthful. I have spoken not as a preacher, but as a practical man from practical experience. The plain fact is that, notwithstanding the complications and innovations which we have crowded into our lives, the signposts marking the road which leads to worth-while success remain very much as they have been for ever so many years.

I have been in Wall Street for thirty years. My son is just about to enter business. I greatly desire him to succeed. I am giving him no "message" on his way different from the one I have given you.

THE MYTH OF AMERICAN IMPERIALISM *

I AM in the midst of the active life of business. I must keep my eyes open to the realities of things. To hold my place I must be reasonably competent to discern currents, impulses and tendencies in our national life. I do not hesitate to say that never, in the thirty years concerning which I can speak from personal observation, have I encountered Imperialism in this country.

America has aimed to pursue a just foreign policy.

Looking over the history of the United States, and granting one single contingent reservation dating back three-quarters of a century, *i.e.,* the war against Mexico, one may assert justly and truthfully, I believe, and without pharisaical self-complacency, that America has made no unfair use of her power, that she has not employed her strength to subjugate and exploit other peoples, that she has resisted the temptation of forcible aggrandizement, that she has pursued a foreign policy which aimed to keep in the path of justice, and that, if any lapses did occur in her international dealings, they were of the head, not the heart.

Some of you may answer: "America did not covet, because she did not need."

That opens up a question not of fact, but of speculation, not of ascertaining actualities, but of attributing motives. I believe you will agree with me that no useful purpose would be served in pursuing a discussion along lines which could lead to no demonstrable issue.

* The League for Industrial Democracy, an organization endorsing the principle of social ownership of industry, at a meeting held in New York, December 30, 1924, discussed American Imperialism. The speakers were Professor Edward Mead Earle, of Columbia University; two leading Socialists, *viz.,* Mr. Morris Hillquit and Dr. Scott Nearing; and Mr. Otto H. Kahn.

I

You will point an accusing finger and you will hurl the challenging question: "What about Haiti and Santo Domingo, what about Nicaragua, Honduras, and so forth?"

The allegation of political or military Imperialism.

It is true we did send military forces to these countries. There did, most regrettably, occur some bloodshed. In the execution of our program we did commit some errors in judgment and in manners. We did, in certain measures, proceed bunglingly and clumsily, as governments and their agents not infrequently do, especially when, as in the cases under discussion, the task to be undertaken is an unusual and unexpected one, and there are neither traditions which afford guidance nor a trained personnel to attend to the execution. (Incidentally, the very absence of such personnel tends to prove how little the thoughts of our Government and people were on Imperialism.)

But the test is in the answer to the question which in my turn I ask of you: "What was our purpose? Did we go to oppress and exploit, did we go to add these territories to our domain? Or did we go to end an inveterate rule of tyranny, malefactions and turmoil, to set up decent and orderly government and the rule of law, to foster progress, to establish stable conditions and with them the basis for prosperity to the populations concerned?"

I think there can be no doubt that it was these latter things we aimed to attain. And having measurably accomplished the task, we did withdraw, or shall withdraw. We left behind, or shall leave behind, a few persons charged with the collection and proper administration of certain revenue, but such arrangements, to which I shall refer more fully later on, are no more in the nature of exploitation or oppression than the appointment of a per-

son under a deed of trust is in the nature of exploitation or oppression.

We have acted within our duty.

These countries are almost at our door. When we look out of our national window, they are within our sight. They are situated athwart one of our main trade and strategic routes. It is within our duty as neighbors, within our natural rights and our legitimate self-interest, to see to it that they cease to be centers of perpetual disturbance, that the rudiments of decent, orderly and civilizing government be observed by, and for the benefit of, their people, that these fertile regions become adequately useful to the world and to their own inhabitants.

To the argument that we ourselves are not spotless, that our governmental ways do not function to perfection, that we have lynchings unavenged by the law, that crime, law defiance and abuses are not unknown in this country —to that argument I will refer only long enough to say that, while it may have a certain efficacy in dialectics, it seems to me manifest, for obvious reasons, that it has no weight or bearing in a sober discussion aiming not at oratorical laurels but at the ascertainment of facts. Similarly, I will leave aside the specious and far-fetched contention that the very existence of America is based upon Imperialism, inasmuch as the country was taken from the Indians. You may charge me with the offense of condoning high crimes and misdemeanors against the hallowed doctrine of "self-determination." Well, I frankly admit that my respect for, and allegiance to, that doctrine is by no means free from reservations. Neither nations nor human beings have an unqualified right to self-determination. Neither a nation nor a human being has a right to make a public nuisance of itself. Self-determination is limited by considerations of the welfare of the community.

No unqualified right to self-determination.

Individuals that are proven incompetent, shiftless, vicious, or affected with contagious disease, are subject

to appropriate measures on the part of the State. There are nations that, by the test of long and incontrovertible experience, have proven themselves to be unable or unwilling to so administer their estates as to make them conform to the minimum requirements of the world's work, that, instead of fostering, impede development, that are deficient in certain rudimentary features of tolerable government, and have become troublesome elements in the family of nations, more particularly to their neighbors. Nations, when finally thus adjudged, by the consensus of the world's public opinion, are properly subject to reasonable measures of intervention, not in the spirit of the strong despoiling the weak, but in the spirit of the strong aiding the weak, of advanced civilization helping retarded civilization, of light being let into dark places.

Our attitude toward Cuban and Mexican situations.

The purposes, tendencies and character of a nation as of an individual can often be discerned as much from what it deliberately refrains from doing as from what it does. An imperialistic nation would have appropriated Cuba after the Spanish-American War as a matter of course—or, if not then, it would have availed itself of one of the repeated occasions which offered themselves since then, to do so. America did not appropriate Cuba. The wise and reciprocally useful treaty which she made with her bears no resemblance to appropriation.

Again, after the World War, America had opportunity to extend her territorial sway. She refused to do so.

In the closing year of the Taft Administration and the first two years of the Wilson Administration, America had strong provocation and plausible ground for intervention of an integral and more or less lasting character in Mexico. It is well known that several European Governments expected no less, and that strong pressure was brought to bear upon our Government to take such action. No greater temptation than authority over that

vast and rich country could have been offered to any nation. No nation even faintly touched with Imperialism would have declined the opportunity which the then existing conjunction of circumstances offered, both actually and sentimentally. America did resist that temptation and did decline that opportunity.

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No inducement to pursue Imperialism in Caribbeans.

I would add that if America had meant to go in for Imperialism, her choice of alleged objectives would prove her a singularly inept "picker." Surely, there was far bigger game to be bagged than the Caribbeans and the other places where, principally, those who bring the charge accuse her of having indulged in that sport. The additional trade and control of raw materials, which were to be obtained in those countries, are as nothing compared with our total balance sheet; the wealth which might be drawn from them is a drop in the bucket compared with the profitable opportunities available at home or beckoning elsewhere abroad.

What worth-while inducement was there for us to pursue Imperialism in those parts of the globe? Commercially, the stake was not worth playing for. From the point of view of strategic requirements merely, the American Government could doubtless have obtained what is judged needful, by simple purchase and sale, for not too exorbitant monetary consideration.

Owing to the limitation of the time available, I cannot enter into the matter of America's ownership of the Philippines, except to point out that it came to us as an unforseen incident of the Spanish-American War, unsought and decidedly unwanted; but—having come—it involves a national responsibility which, in self-respect and in duty, we are bound to discharge, and of which we cannot divest ourselves until it is fairly discharged.

Likewise, time does not permit me to answer, in antici-

pation, such conclusions as subsequent speakers of the evening may presumably draw from the circumstances surrounding America's construction of the Panama Canal. I will confine myself to saying that, whatever may be one's opinion as to President Roosevelt's manner of proceeding, the aim in view and accomplished by him fits into no reasonable definition of Imperialism.

II

The allegation of Economic Imperialism.

Some of you, while perhaps inclined not to insist upon the charge of Political or Military Imperialism, may yet maintain the arraignment of Economic or Financial Imperialism.

As to Economic Imperialism, I know of no instance, within the time of my observation, in which that has been practiced, unless you choose to apply the term to the legitimate advancement and defense of American trade.

In the ordinary pursuit of commerce, it has occurred that American business men have sought, and have obtained, concessions in foreign countries. The word "concession" has, and in the past not unfrequently deserved to have, a somewhat sinister sound. In modern American practice it has meant nothing more than that, before engaging capital, effort and enterprise in out-of-the-way places of the world, those concerned want to be assured that they are not setting out on a wild-goose chase, and that certain functions and opportunities, in definite territories, on definite terms, for a definite length of time, are assigned to them contractually and cannot be taken away from them capriciously.

It is a proper and natural exercise of the functions of Government that official cognizance should be taken of the granting of such concessions and that the moral support of the Government should be granted to American citizens for the undisturbed exercise of their rights there-

under, provided always that there is no taint of fraud or corruption in their original obtainment, that they are not unconscionable in their essence, and that they may not justly be held to have lapsed through the fault of the holder.

It does happen that American concession-hunters, in their eagerness, "bite off more than they can chew," and in such a case, our Government should not—nor, as far as I am aware, does it—pursue a "dog-in-the-manger" policy.

I believe the following points may be regarded as established:

The attitude of the American State Department.

1. Our State Department does not lie awake nights seeking to obtain concessions for American citizens or to stimulate them to obtain concessions for themselves.

2. It attempts to use its moral influence against the granting of concessions unfairly discriminatory in favor of other nations as against Americans, precisely as it discountenances concessions unfairly discriminatory in favor of Americans as against other nations.

3. Its policy is not to encourage the granting of exclusive rights, be it to Americans or to citizens of other nations; on the contrary, our Government stands forth as the champion of the open door and equality of opportunity for all comers, in all those parts of the world which for their adequate development require industrial and financial collaboration from economically more potent countries.

4. It takes due cognizance of the grant of concessions (reasonably warranted as to terms and conditions) to American citizens, but it never goes beyond the exercise of its moral influence in maintaining the rights of its nationals under such con-

cessions; and I have known it to decline to do even that when it was not satisfied as to the seemliness or fairness of the American contention.

Profit and popularity of concession-hunting overestimated.

5. The game of concession-hunting or otherwise exploiting opportunities in foreign countries is neither as popular among Americans as some of you would suppose it to be nor as profitable as it is "cracked up" to be. I do not claim his relative aloofness from that game as a sign of superior virtue in the American, but rather attribute it to the fact that the opportunities in his own country are still so great—in contrast to the state of affairs among the principal nations of Europe—that he finds it difficult to get up enthusiasm and eagerness for employing his time, thought, effort and capital in regions too far distant from "Broadway."

With every desire to make at least some graceful concessions to the views held by the previous speaker, and probably by the majority of this audience, I am bound to conclude that I know of no practices which can justly be characterized as Economic Imperialism on the part of America.

III

Lastly, as to Financial Imperialism:

The allegation of Financial Imperialism.

The facts are simple and patent. America holds half of the total available stock of the world's gold. Its people are prosperous and have a surplus of funds for investment. Many nations are in need of funds, and naturally turn to America.

The American banker acts essentially as the middleman between the lender and the borrower. His first function in that capacity is to investigate the solvency and stability of the applicant for funds. Next, he requires assurance that the proceeds of the loan desired are for legitimate and constructive purposes. He then negotiates

Bankers' commissions fixed by custom.

terms, both as to the rate of interest and as to the special security (if any) requisite in order to make the loan palatable to the American investor. I will not omit to add that these terms include a commission for himself and those associated with him, but I will also add that, of late years, the scale of that commission, though naturally the rates applicable differ according to circumstances, has become almost as fixed and stereotyped by custom as that of a real estate broker or an architect.

Banker's function is that of negotiator and distributor.

In making arrangements for terms and security, he must, of course, bear in mind that the ultimate provider of the funds desired to be raised, is not the banker, nor even the financial community, but the great army of investors. His own function is merely that of negotiator and distributor. The goods which he purchases are intended for resale to the public. They are not meant to remain on his shelves. If they do, it is proof of misjudgment, and if he falls into repeated misjudgment, the penalty is exhaustion of his working capital, and, eventually, probable failure. The essence of correct banking is that the banker must keep the bulk of his funds in liquid shape.

Therefore, in appraising the terms and the security required in the case of a loan to be offered to the public, the banker has two principal things in mind, namely, the stability of the bonds which he buys and the permanent solvency of the borrower.

The public holds him, the banker, morally responsible for his recommendations, and the penalty of carelessness or poor judgment on his part is the withdrawal of the confidence and the patronage of the investor, *i.e.*, the weakening, or even the destruction, of the very fundament on which his business rests.

Is it not perfectly manifest that in the whole process of the dealings of the financier with the borrower there enters, and can enter, only one main question, namely, the

plain question of business, and that there is neither room nor reason for the element of Imperialism?

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One final function remains to be fulfilled before the banker, having completed mutually satisfactory negotiations with the prospective foreign borrower, whether a Government, or a Municipality, or a governmentally guaranteed or administered undertaking, offers his wares to the American investor.

Limit of Government's intercession.

By custom, which has acquired the force of law, inquiry is made of the American State Department whether it sees any objection to the proposed transaction. An approving reply from Washington involves, of course, no kind of moral guaranty or pledge on the part of our governmental authorities. It involves merely an implied conclusion on the part of the State Department that the proposed loan is intended to serve a legitimate purpose and that its consummation is not inconsistent with the point of view of the American Government.

And that is all the State Department has to do with the matter, except to use its good offices if circumstances arise which jeopardize the rights or the safety of American capital placed, in good faith, in foreign countries. That is the limit of the Government's intercession. There is not a single instance of the armed forces of the American Government being employed to collect debts, or otherwise maintain the rights of American bankers, financiers, concessionaires or bondholders. The actuating motive for the use of such forces, in all cases when armed intercession was resorted to, was to execute national, not private, rights and duties.

If among the results of establishing order and aiding to set up a proper system and administration of government, were the fulfillment of due financial obligations and compliance with legal pledges, it remains true, nevertheless, that the bringing about of these rightful things was

one of the effects of the action of the American Government, but was not, either in fact or in spirit, the reason, incentive or purpose which caused such action to be taken.

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One other matter remains to be referred to, which, to the casual and perhaps not too benignantly inclined beholder, may have the appearance of Imperialistic interference, but which in fact has no such purpose, meaning or effect. It has occurred, as it will doubtless continue to occur, that the willingness of American bankers and investors to loan funds to certain foreign countries was made dependent upon our Government designating American citizens to administer those special guarantees, which, by agreement between borrower and lender, were to be pledged to secure the loan service, such as customs or similar specific sources of revenue.

Administration of special foreign guarantees by Americans no evidence of Imperialism.

There is no more of Imperialism in our Government making such designation, as and if requested by borrower and lender, and in the exercising of such functions by the persons so designated, than there is Imperialism in the action of Mr. S. Parker Gilbert in exercising the functions of Reparation Agent under the provisions of the Dawes Report, by the common consent of Germany and the other nations concerned.

Most of the nations of the world, as well as many municipalities and industrial concerns abroad, are eagerly asking for accommodation in the shape of the loan of American dollars, to an extent indeed exceeding, for the time being, the inclination and capacity of American finance and the American investor. To call measurable compliance with such requests, on reasonable conditions as to security and otherwise, Financial Imperialism, is surely to attach a novel and strange meaning to that term.

When, after the close of the Civil War, Europe poured

funds aggregating hundreds of millions of dollars into the United States (taking as security railroad and land mortgages), and thus provided financial means for recovering from the effects of that struggle and for the development of American resources and opportunities, did she practice Financial Imperialism?

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The tales of an unsophisticated and subservient State Department and a ruthless, treaty-dictating, world-manipulating Standard Oil or other "big business" power are simply myths. The plain fact is that business men do not possess the super-qualities which, either in laudation or in condemnation, are frequently attributed to them. They have neither the craftiness and greed with which they are charged, nor the profundity and farsightedness with which they are credited.

Dictation by "big business" to State Department a myth.

Having had some little experience with the inner workings of things, I have no hesitation in saying that, while finance and "big business" have had occasion at times to act as servants of the State Department, they have never, within the period of my recollection, been permitted to be its masters. And I say further that not only have such services, generally, not been compensated, but in more than one instance that I know of, they have involved both expense and effort not recoverable either directly or indirectly.

It is astonishing how often legends about the power and sway of bankers spring into being, and how credulously they are accepted. For instance, the recent international loans to Austria and Germany have been the text for many stories telling how "high finance," through the conditions governing these loans, reduced these countries to a state of vassalage to its power.

The fact is that in neither of these cases did bankers have anything to do with determining the conditions which were basic for the loans. In the case of Austria,

American bankers did not determine basic conditions for German and Austrian loans.

the conditions were established by the League of Nations. In the case of Germany, they were fixed by the Dawes Commission and by the conference of Prime Ministers and Finance Ministers in London last summer.

All that the bankers were called upon to do, and did, was to assist in the working out of certain technical matters, and to advise what were the financial terms at which the proposed issues would appeal to investors, and, particularly, what were the assurances of stability, of security, and of freedom from outside interference, which were requisite in order to enable them (the bankers) to take the responsibility of recommending the loans to investors in their respective countries.

According to well-authenticated reports, the person most outspokenly in accord with the bankers' point of view in the latter aspect and most insistent in demanding compliance with it (not, of course, because it was the bankers' view, but because he believed it to be the right view), was none other than the Chancellor of the Exchequer in the Labor Government of Great Britain, the Socialist Philip Snowden. And the then Prime Minister, the Socialist Ramsay MacDonald, rose in the House of Commons to declare that the bankers had in no way gone beyond the expression of such advice as had been asked of them, and that he gratefully acknowledged the value and the spirit of their services.

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Imperialism not practiced by the Government or the people of the United States.

It is neither my function nor my inclination to claim a spotless record for American business, big or little. But I do claim that whatever other charge may or may not lie against it, the charge of fostering or practicing Imperialism is without ground or warrant in fact.

I have not tried to make an argument in respect of Imperialism *per se*. I have not aimed either to defend or to attack it. I have not sought to examine the question whether Imperialism, necessarily and in all contingen-

cies, must be adjudged as evil and unwarrantable. I am merely saying that, according to my observations and judgment, Imperialism is not practiced by the Government or the people of the United States.

I am aware that my presentation of the case under discussion may engender the retort that it "doth protest too much." For debating purposes, it would doubtless have been good strategy to make my affirmations and denials less comprehensive. I can only say that if I had done so, I should have failed in adherence to what I believe to be the truth.

I am likewise aware that nothing lends itself more easily to scoffing and derision than the avowal of disinterestedness of purpose and decency of motives. I realize that the profession of one's belief in the genuineness of such avowals, especially in the case of nations, runs counter, somewhat, to prevailing intellectual fashions and is apt in many minds to create, against the person so professing, the presumption of gullibility, if not hypocrisy.

Yet, I do not hesitate to confess that I am naïve enough to believe that one of the traditions and springs of action of the American people, consistent with a robust assertion of self-interest and self-counsel, is to do the fair and square thing by other nations, large or small, and, according to its lights, to endeavor to be a serviceable element toward the progress and welfare of humankind.

IV

A few general considerations.

May I trespass upon your patience for a little while longer to give expression to a few observations of a general character which, with your leave, I should like to submit to this gathering:

Let me begin by saying that, while I am not a Radical and while I wholly disbelieve in the theories of Socialism, I am far from being a "Standpatter." I yield re-

spectful consideration to every opinion and every effort the motives of which bear the hallmark of sincere and worthy purpose. I believe in progress and in the stimulus of intelligent and constructively directed discontent.

I believe that the faults of Reaction, with the wars and repressions springing therefrom, have done more harm to the world than the faults of Radicalism. I am troubled by the reflection that, in too many cases, success in certain lines is too highly rewarded in proportion to the average yield, non-success too heavily penalized; that, too often, the same degree of effort meets with too uneven a measure of compensation; that too many of the trees of humankind, for lack of sufficient light, warmth and sustenance, are stunted in their growth or even doomed wholly to wither and decay.

Power of the spirit greater than that of the dollar.

I believe that the mass of the American people—and that term includes the well-to-do no less than those of small means—want what is sensible and just and making for the general welfare. I believe that there is a vast majority who would gladly bring cheer and comfort if they are shown wretchedness and squalor, right if they are shown wrong, freedom if they are shown oppression. I believe it to be not a copy-book maxim but a sober and well-attested fact that the power of the spirit is far greater than that of the dollar, that the might of justice and right is far greater, ultimately, than that of selfishness, prejudice or greed.

Let me quote as a single but characteristic illustration in connection with this last sentence, the matter of woman suffrage. A great majority of American men were originally opposed to it, partly from reasoned conviction, partly from sentiment, partly from an instinct for the preservation of their "superiority," partly from apprehension that the enlargement of the electorate would strengthen the Radical vote. Yet when gradually it became plain to the average male voter that no argu-

ment based on justice could be sustained against the proposition of giving the suffrage to women, the opposition crumbled and woman suffrage won.

Let me point out that such measures as, for instance, the progressive income-tax, collective bargaining by employees, the eight-hour day, the governmental supervision and regulation of railroads and of similar natural monopolies or semi-monopolies, are approved by the sense of justice of the business community, provided the application of such measures is kept within the limits of reason, and that they would not be repealed by business if it had the power to repeal them.

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What you Radicals and we who hold opposing views differ about, is not so much the end as the means, not so much what should be brought about as how it should and can be brought about, believing as we do, that rushing after the Utopian not only is fruitless and ineffectual, but gets into the way of, and retards, progress toward realizing attainable improvement.

Radicalism tends to seek theoretical perfection rather than concrete amelioration.

With all due respect, I venture to suggest that Radicalism too often tends to address itself more to theoretical perfection than to concrete amelioration; to phantom grievances, or grievances of the past, which have lost their reality, rather than to actual matters of the day; to slogans, dogmas, professions, rather than to facts.

Indeed, I have known leading Radical orators to bend and twist the necks of facts most mercilessly, if the poor, rigid facts happened to be facing in another direction than the speaker's arguments. I have known them to attribute all virtue to certain elements or sections of the community, and all evil to others; to lack in a sense of proportion and in a homely appreciation of the realities; to advocate, in the name of Liberty, policies embodying the very reverse of individual freedom. I do not mean to

be flippant when I say that the attitude and expressions of Radical spokesmen recall to my mind, at times, the story of the dissenting juryman who complained that he had never met eleven such obstinate men.

Existing social and economic system, compared to Radical platform.

Aside from the demands of orthodox Socialism, the platform of Radicalism demands, to quote only a few of its planks, governmental control of banking credits; government ownership of railways; such extension of governmental functions as would mean a vastly augmented bureaucracy; extreme, if not throttling, taxation of accumulated capital; emasculating restraints in respect to the Supreme Court; and the abolition of (an imaginary) Imperialism. I am frank to say that I do not see in what respect the attainment of these and similar things would prove of tangible benefit to the plain people.

I see, on the contrary, under the operation of the existing social and economic system—gradually and progressively adapting itself to the problems and conceptions of the day—an advancing tide in the well-being of the people, a growing assertion of the social conscience, a noteworthy diminution of the difference in the standards and the contents of life between the well-to-do and the rank and file. And I see further that almost all the leading positions in government, industry and finance are held by sons of the plain people, who fought and won their way to the top.

That does not mean that I see ground for self-complacent satisfaction. Much indeed remains to be accomplished, and some things thus remaining call urgently to be attended to. The advent of the machine period, about a hundred years ago, and the subsequent development of large-scale production in industry, while they have brought results of vast benefit to humanity in many ways, did also bring grave maladjustments and social ills,

for which the world has not yet found completely adequate treatment or wholly effective remedies.

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The common purpose of right-thinking leaders.

It seems to me the purpose of right-thinking leaders, of whatever political affiliations, should be to seek principally the tangible result of making the lives of the people steadily fuller and richer, of bringing into them more of joy, satisfaction and reward, of dislodging squalor, misery, drabness, oppression, and denial of opportunity.

Of course, the preservation of liberty, the vigilance and protest against injustice, are, or ought to be, the paramount concern of all Americans, whatever their station or occupation. I would frankly question, however, whether alleged Imperialism and such-like highly contentious matters do cut an appreciable and immediate figure in the life of the average worker and his family, for good or ill. But providing him with better housing; abolishing ugly and degrading tenements; creating parks and adequate playgrounds; establishing well-equipped, clean and airy hospitals; furnishing quick and comfortable transportation; safeguarding him against unemployment, sickness and old age; seeing to it that he has sanitary and dignified working conditions, his due say, adequate opportunity, and a fair chance to share in the fruits of industry; making the administration of justice less cumbersome, complex and expensive; giving to him and his family ample access to knowledge, art, beauty, and culture—these and similar things do mean genuine and concrete additions to his enjoyment and contentment and to the value of his life.

Such things are not controversial in their essence as between Radicals, Liberals and Conservatives, their benefits are not debatable, and they are assuredly obtainable. Cannot we all join hands in trying to bring them about?

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May there not be a truce, and a united effort?

Extreme claims will only produce extreme resistance. Undue pressure will inevitably cause commensurate counter-pressure. Exaggerated pronouncements will produce exaggerated apprehensions.

Is it quite illusory to dream—in this land, favored as it is beyond all others with those things which make for widely diffused prosperity and ought to make for progress and happiness—is it quite illusory to dream that well-intentioned and thoughtful men, without yielding their respective convictions and ultimate aims, may declare a truce for a while and unite upon attempting to accomplish those things which most need to be done?

Granting to you Radicals the privilege, if you so wish, to look upon Conservatives as oppressors, despoilers or besotted, and upon Liberals as ineffectual, outmoded or trimmers, and reserving for Conservatives and Liberals the privilege to reciprocate in kind, is it really quite idle to hope that we may cease to accentuate and propagate friction, antagonism and bitterness, and that, agreeing upon certain limited objectives desired by all right-minded men, we may find a bridge across which we can all walk toward the attainment of those objectives for the common welfare of the American people?

A FEW REMINISCENCES OF CONVERSATIONS WITH THE LATE COLONEL THEODORE ROOSEVELT

I

IN the course of a conversation with Colonel Roosevelt —in the winter of 1915-1916—I said to him: "Colonel, I have often wondered what reasoning induced you to accept the Progressive nomination in 1912. The fight was well-nigh hopeless in the face of the formidably intrenched and desperately determined forces against you, and, while affording you hardly a possible chance to win, put you outside the Republican breastworks, destroyed your influence with the Republican Party, and gave your antagonists in the Republican organization the long sought opportunity to down you. If you had confined yourself to indicating your disapproval of the Taft Administration by simply keeping aloof from the 1912 campaign or taking merely a perfunctory part in it, and if—as was foreordained—the Republicans had lost that campaign, the Party would inevitably have turned to you in 1916 and offered you the nomination by acclamation."

He replied: "You doubtless know much more about finance than I do, but you can't tell me anything about politics. Of course, I was aware in 1912 of the things you point out. Of course, I had no illusions as to winning in a three-cornered fight. Of course, I realized that it would put me out of the running in 1916 and, probably, forever. Moreover, my action in running against the Republican ticket meant breaking close friendships and

intimate affiliations of a lifetime. And, furthermore, I saw quite clearly that, even if, by a miracle, the inconceivable contingency of my election should come true, many of those most enthusiastically for me during the campaign would soon accuse and turn against me because, as President, I would not, and could not, perform some of the things they expected of me."

"Well, then," I said, "what did induce you to make the run on the Progressive ticket?"

He shoved his head forward with a characteristic gesture: "If a man does a thing which he discerns clearly to be against his interest, if he accepts the burden, strain and bitterness of a fight, at the end of which he sees discomfiture, defeat and lasting disability, if he leads a forlorn hope, if he spends himself in an undertaking which, almost certainly, can yield him no reward but rather will bring harm, loss and disservice, how would you diagnose his motives?"

"It seems to me that the answer is——" I started to suggest.

"The answer is," he interrupted, "that his motives disregard his personal interests, that he is actuated by a compelling sense of what his duty, his conscience and his station require him to do, irrespective of the cost or the consequences to him. During my Administration I stood for certain policies and methods, for certain fundamental things and aims in our national life, and against influences, practices and personalities that I believed should be fought, defeated and eliminated. The masses of the people supported me and hailed me as a deliverer.

"Having left the Presidency, I went abroad, and shortly thereafter the very elements which I looked upon as particularly obnoxious and detrimental to the common weal succeeded craftily in insinuating themselves again near the seat of power. My work and aim, the people's work and aim, were in jeopardy. By stealth and cunning,

the foe had managed once more to gain access to the citadel. There was grave alarm and hot resentment among the people. Thousands, hundreds of thousands, called to me to come to the rescue in order to preserve from imminent menace that which had been won for the people during my Administration and to prevent the Republican Party from acquiescing in the ascendancy of reactionary and self-seeking elements.

"The voice of the Primaries in 1912 was unmistakable and, I venture to think, unprecedented. It betokened a fervor and a trust which were as inspiring as they were compelling upon me. The Republican Convention refused to heed that voice. You know something of the means employed to prevent my nomination by that Convention, and therefore I need not characterize them.

"A wave of red-hot indignation and protest swept over the millions who had voted for me in the Primaries, or otherwise had made it plain that they wanted me. They were not the kind of men and women, and theirs was not the temper, to take the proceedings of the Chicago Convention lying down. They looked to me as their leader. I had accepted the prerogatives and duties of leadership. They now called upon me to head an independent movement. It was against my judgment and my inclination, and I told them so, but through the mouth of spokesman after spokesman they insisted. They were aflame with a fine, exalted, passionate aspiration. They were in no mood to turn back, whatever the odds.

"In loyalty, honor and duty, there was nothing for me to do but to heed their call and make the race with all my might, regardless of present or future consequences to myself.

"Now, my dear sir, you have had a successful career, and therefore must be supposed to have a fairly accurate judgment as to men and affairs and situations and motives. If you can think of any explanation or analysis,

other than I have indicated, why I should have done something which I fully realized to be a losing venture at the time, involving moreover, the forfeit of lifelong friendships, bound to unchain untold bitterness against me, and meaning, in all probability, my political death warrant—I should be interested to know it."

I had no other explanation or analysis then, and I have none now.

II

Colonel Roosevelt, with all the ardor of his fundamental convictions and the apparent impetuosity of his ways, was one of the most open-minded of men and always willing to give due heed to the opinions of those in whose judgment and motives he had confidence. The following is an instance:

About six months before his death he asked me to meet him at the Harvard Club, as he wished to have my opinion on the economic phases of a speech which he was to deliver within a week or so. He showed me the manuscript. I found myself in general accord with the views it contained, except that he advocated, as a general policy, a drastically steep inheritance tax, so graded that it would have absorbed, in certain contingencies, the larger part of a man's estate.

I pointed out to him what I considered the economic error and social harmfulness of *excessive* inheritance taxes.

We argued the point at some length, he being evidently reluctant to modify his views on the subject. At last he exclaimed: "You win on points. I don't know that you are altogether right, but you are more nearly right than I. Send me a memorandum of what you would say if you were in my place, and I shall consider how nearly I can bring my views in accord with the principles and conclusions you advocate."

I did send such a memorandum. In the speech which he made a little while thereafter, the views which he expressed on inheritance taxation, while not wholly according with my own, were within the bounds of moderation and very different from those with which he had started out on our discussion.

III

On another occasion, several years earlier, Colonel Roosevelt spoke of what he considered the all but universal antagonism to him of "Wall Street" and "Big Business." He said that he was, of course, interested in the prosperity of all business, big or little, and that if business men were politically a little more farsighted than he had found them to be, they would realize that his policies were, in fact, an insurance and a protection to business rather than a detriment and an obstacle, because, if the old ways of big business had been permitted to go on until they had reached their logical culmination, there would have come, sooner or later, such an outbreak of popular resentment, such a movement of radicalism, as would have brought about a really serious situation of grave menace to business and, indeed, to the general welfare.

I replied: "I think, Colonel Roosevelt, that there are more men in Wall Street than you suppose, who sincerely appreciate your purposes and generally sympathize with your policies, and who, without surrendering their independence of judgment, without having been able to see their way to follow you in the 1912 campaign, and while strongly dissenting from some of the planks of the Progressive platform, are yet among your admirers and earnest well-wishers. What those of us who feel that way took exception to, at times, during your Presidency, related, in general, not to your doings but to your say-

ings. I refer, for example, to your speeches at the height of the 1907 panic, or, to quote a personal instance, your bitter denunciation, some years ago, of a man whom I held in the highest admiration and in warm affection, and whose memory I shall always cherish, my late friend, Edward H. Harriman."

His teeth flashed, his eyes snapped, his fist struck the table—but he spoke quite calmly, though with pronounced emphasis: "About Harriman we shall talk some other time [which we did]. As to my speeches, let me say this: If my actions were called for, as you are inclined generally to agree, my speeches were a necessary prerequisite or concomitant.

"I had to wake up the people and, what is more, keep them awake. For many years, Wall Street and Big Business and their allies had 'doped' the people and got away with things while the masses slept. That is how I found them. If you want to wake up a hundred million people, you've got to make a big and resounding noise and you have got to keep that up for a while, lest they turn around and go to sleep again. Moreover, if you want any new notions and impressions to sink in and spread across a Continent, you have got to iterate and reiterate and emphasize and drive home, until you pretty well weary of the very sound of your own voice."

PART III

PRESSING PROBLEMS AND SOME SUGGESTIONS *

IT is eighteen months now since America entered into the period of post-bellum reaction. Such a reaction was inevitable. But heretofore one of the characteristics of this country has been its resiliency, its quick and vigorous rebound from periods of depression. Why is it that after eighteen months of liquidation and readjustment, we are still in the throes of poor trade, tight money, restricted credit, diminished enterprise and employment, and general discomfiture?

There are a number of reasons: A war of unprecedented scope and costliness, accompanied by corresponding inflation of currency and production. A peace equally unprecedented in its ill-effects and in the deplorable discrepancy between professed aims and actual performance. Governmental incapacity, neglect and blundering. Excessive expansion, over-trading and lack of foresight on the part of a considerable portion of the business community. Exorbitant boosting of the cost of labor, and stubborn insistence, in some instances, upon conditions not normally tolerable. Governmental and private extravagance.

Mischievous system of taxation of 1917.

But there is one element which more than any other single cause has stood in the way of our economic recovery. That is the improvident, disingenuous and mischievous system of taxation adopted in 1917.

* An address delivered before the Traffic Club of Pittsburgh, April 28, 1921.

I

Aside from its appalling complexity, its irritating and obnoxious cumbersomeness, the unfairness of its incidence, and its manifold actual and moral impediments to effort and enterprise, it has produced two effects of fundamental destructiveness: It has prevented the accumulation of new capital, and it has violently interfered with the normal flow of existing capital.

Liberty Bonds selling at a heavy discount.

Why are borrowers compelled to pay rates of interest almost without precedent for long-term loans, and even at those rates unable to obtain their requirements? Why are our banking facilities strained to the limit? Why has the long-continued process of liquidation not brought about a commensurate easing in the money situation? Why is there no money available for mortgages and building operations? Why has it occurred recently that cities of the highest credit did not receive bids sufficient to cover their offerings of bonds? Why are our Liberty Bonds selling at a deplorable discount? Why does the whole machinery of credit and investment creak and groan, and fail to work with its former automatic smoothness?

The principal single cause is that the clumsy hand of faulty taxation has been shoved into the delicately adjusted organization of our commerce and industry. The highways of trade have been made uninviting to capital, because the Government lies in wait and exacts a huge toll, up to three-quarters of the wayfarer's income. It does so in face of the fact—and blithely unmindful of it—that there is another road, called "tax-exempt securities," which is not only safer, smoother and less laborious to travel, but entirely free from toll.

For this throttling of the supply of capital for constructive uses, Congress has chosen the very time when we were most in need of an ample supply of funds, be-

cause European capital on which we had largely drawn before the war is no longer available to us, owing to the effects of the war (indeed, Europe, instead of being a provider of capital, has become an eager borrower here), and because the process of readjusting our industries to peace conditions and bringing our productive capacity in line with post-bellum requirements and opportunities involves a very heavy capital drain.

To what extent does taxation stay where it is laid?

To what extent taxation stays where it is laid, is a debatable question. It is not debatable, however, in my opinion, but plainly demonstrated by experience, that the degree to which surtaxes are shifted bears a certain rough proportion to the degree of their burdensomeness. When such taxation becomes manifestly oppressive and excessive, whatever be the method employed, means are discovered to pass it on, in one way or another, directly or indirectly, to a varying but large extent.

There ensue trouble and complication and dislocation all along the line. Among other evils, there ensue higher costs in many lines, economic maladjustments and diminished purchasing power. Initiative becomes chilled and enterprise retarded.

Increase of prices caused, directly and indirectly, by taxation.

It has been stated in published reports that, according to calculations made by one of the Federal Departments, the average increase in prices traceable to Federal taxation is 23 per cent. To that burden (whatever be the exact percentage) which is borne by everybody, rich and poor, there must be added the less precisely ascertainable ill-effect which results from the action of our tax laws in causing restraint of business, impediment to enterprise, and diminished opportunity for employment.

It all means that errors in taxation are visited on everybody. It means that you cannot "take it out of" the few and out of the East without also taking it out of the many and out of the West and the South. It means that there is a limit beyond which taxation of income and profit

cannot go without inevitable consequences seriously detrimental all around.

We have far surpassed that limit, and there is no remedy for the resulting ills but to recognize the facts which experience has demonstrated unmistakably, and to retrace our steps. While continuing progressive income taxation of individuals and a flat tax on corporate earnings, we must fix rates within the limits of moderation; * we must simplify the system; we must abolish the excess profits tax; we must eliminate minor irksome and invidious special taxes, and if, and *to the extent that, the needs of the Government require it,* we must find less harmful ways of raising revenue.

It requires no prophetic gift to foretell with assurance that by so doing we shall greatly reduce the burden of high costs and other evils resulting from the existing tax system, which now weigh upon the masses of the people, although they were meant, and mistakenly calculated and expected, to weigh upon a small minority.

I know of no measure which will better and more certainly attain that purpose and bring that relief than a sales tax in some form.

* * * * * * *

The social and economic welfare of the country is inseparably connected with the welfare of its industries. The return to normal conditions of industrial activity is, at the moment, our most urgent national need. For realizing that consummation, with the prompt effectiveness

* The point to which income taxation can go without driving capital into tax-exempt securities is indicated by the approximate difference in interest yield between tax-exempt and taxable securities. That comparison would denote the "saturation point," under existing circumstances, to be reached at a rate of income taxation which (including State income taxes, where existent) aggregates approximately 30 per cent.

Inasmuch as the author's views on the subject of a sales tax are set forth at length in a subsequent speech (see pp. 248-252), his references to that topic in the present speech are omitted. (PUBLISHERS' NOTE.)

which is quite within our reach, an essential requisite is a wise and courageous revision of our tax laws.

That revision must be dictated by the lessons of practical experience—and surely we have had an abundance of that since 1917—and by common sense. It should give satisfaction neither to the reactionary, nor to the selfish shirker, nor to the "advanced thinker." It should be uninfluenced by the vilifications and menaces of the agitator and demagogue.

I am confident that tax revision contains a good deal less political dynamite than many politicians appear to think. I believe that the people do not greatly care by what methods or under what names relief is obtained, provided they do get prompt and effective relief.

In approaching this subject, let us clear our minds of cant, and refuse to be swayed by catch-phrases or pretense, from whatever quarter they emanate. Let us apply the practical and somewhat painful lessons we have learned as against the preachments of iconoclasts, the doctrines of theorists, or the vociferation of ignorance.

Let us give one another credit for decency of motive and integrity of purpose, and not indulge in rancorous abuse when we differ. Let us try to settle this thing in calm discussion and with due respect for the realities, whether or not they accord with our preconceptions and predilections. It cannot be truly settled on any other lines.

II

The cost and administration of government.

Another matter urgently calling for reform is the administration of government itself. Do you know what is the article that has risen in cost more than any other? It is Government.

For years now we have passed law after law to regulate, control and supervise business and other affairs, we have piled commission upon commission, bureaucratic

machinery upon machinery. What, if anything, have we done in the same time to bring better order and system, greater efficiency, more businesslike dealing, into our processes of government?

We have proceeded with an almost naïve faith in the virtue of legislation, and have grossly underestimated the virtue of administration. Yet efficiency and economy in the administration of government are of much more consequence to the well-being of the people, and touch the average man far more directly, than do the great majority of legislative enactments. The effects of administration, for good or ill, ramify through every phase of the life of the country.

We are in the habit of passing as many laws, Federal and State, each year, probably, as are passed by all the other leading nations of the world taken together. The mill of new laws grinds incessantly. But when it comes to the machinery for the execution of these enactments under which we live and work, *i.e.,* to the administrative end of the Government, no serious effort is being made to see to it that adequate care and attention are bestowed upon so humdrum and, in the sense of the politician, ungrateful a subject.

Duplications and antiquated methods in Government practices.

Let me give as an illustration of the overlapping, duplication and antiquated methods prevailing in Government practices, the following extract from a recent article in the *New York Evening Post:*

> "In one way or another eleven different bureaus have something to do with foreign commerce, and seven with domestic commerce, fifteen have to do with education of one sort or another, ten engage in public health work, sixteen in chemical research, seven are concerned with disabled soldiers, fourteen with public lands, twenty-four do surveying and

mapping, twenty-two do engineering research, sixteen are engaged in road construction, twenty-five construct or supervise buildings and grounds, nine are concerned with aëronautics, seven with Alaskan affairs, nine with navigation and merchant seamen, fifteen with rivers and harbors, and nineteen with hydraulic construction."

It is not too much to say that inefficient and slovenly administration, including the appointment of insufficiently qualified men to important positions on commissions and in other governmental functions, has cost the country untold millions of dollars, apart from damages of a less tangible though no less actual nature.

It is high time that this vastly important problem be tackled in earnest, and it is gratifying to know that, at last, the present Administration in collaboration with a committee of Senators and Congressmen has taken it up in a comprehensive and systematic manner.

Damaging and costly results.

For what it has failed to do in putting its own house in order, Government has amply made up by criticizing the conduct of other people's houses, especially that of business, and by prescribing rules, imposing restrictions, assuming supervision and, at times, by setting up in business for itself, with results usually disturbing and damaging and in some instances, notably in the case of shipping, hugely costly to the country.

Thus, for instance, the late Administration's handling of the sugar situation increased the cost to the American consumer by hundreds of millions of dollars. Its dealings in wool have ruined, for the time being, the wool-raising industry in this country. Its entrance into shipping has meant chaos and stagnation. Its treatment of the railroads has brought about a critical condition in that vital branch of industrial activity.

III

I recognize the necessity for the regulation and supervision of railroads by a Federal governmental body. I do not mean to criticize the men who now compose or in the past have composed the Interstate Commerce Commission, and I appreciate that under many difficulties, subject to much popular pressure, and dealing with new and complex problems, they have tried generally to hold the scales even, and have accomplished valuable work.

Enterprise and vigor of railroads impeded by excessive governmental interference.

But still, it is a characteristic fact that the decline in the vigor, vitality and enterprise of railroading has kept steady pace with the tightening and multiplication of the restrictions and interferences imposed by legislatures, and the increasingly rigid and sweeping control by commissions, Federal and State, over the destinies and the management of the railways. And nothing is more natural.

In the days antedating the Taft Administration, under which the functions of the Interstate Commerce Commission received their fundamental and radical enlargement (a tendency and an example followed by many State Legislatures in respect of State Commissions), there were, it is true, certain abuses in railroad practices which called for redress, certain delinquencies which demanded safeguards against repetition. But there was also the American spirit of progress and daring enterprise. There was incentive to venturing and risking. There was vision.

Great pioneers like Huntington and Hill, men of daring and constructive genius like Harriman, saw and found in the building, acquiring, consolidating and managing of railroads a vast field for their splendid capacities. They did mighty work. True, they reaped rich rewards, but the wealth they received was but a trifling fraction of the wealth their work created for the people.

Since then, we have had the reign of Federal and State Commissions, intensified, at times, by direct acts of intervention on the part of legislatures. Hardly anything of importance could be done by railroad executives without a hearing before, and approval of, the Interstate Commerce Commission and, usually, several State Commissions. Their sway over the destinies of the railroads of the country was almost unrestrained, while at the same time, arising as it did from a patchwork of laws, it was ill-defined and not conducive toward systematic achievement and constructive purpose.

Commissions dominated our railroads.

Inevitably, and due to no fault of the Interstate Commerce Commission, initiative on the part of those in charge of the railroads became blunted, vision and daring lamed, and decision halted. The qualities of leadership were dispossessed, and men of commanding ability were discouraged from entering the railroad field. A large part of the time the thoughts and the energies of the chief executives of railroads were given to appearing and arguing before commissions. The routine of government methods and the trial-court were substituted, to a large extent, for individual brain work, energy and action.

A simply incredible mass of paper-work and statistical data of all kinds took the place of the few small sheets of essential data which Hill and Harriman used to carry around in their pockets. As Mr. Slason Thompson, of Chicago, wrote recently: "The blank form for the annual report of Class I roads contains over 10,500 spaces for items. When it is considered that some of the items in this veritable wilderness of data run up as high as eleven figures, the colossal nature of what the commission requires of the railways can be vaguely visualized, if not comprehended."

No wonder that, as Mr. Thompson states, the number of railway office clerks has increased from 42,200

in 1895 to 223,830 in 1919, and their compensation has increased from $28,516,000 in 1895 to $307,375,000 in 1919.

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Unwise provisions of Clayton Act.

A further and characteristic tribulation has been added recently to the vexations of the railroads by the coming into operation of the ill-considered and ill-expressed clause in the Clayton Act, by which it is made practically impossible for anyone to be a member of the board of directors of a railroad who has a "substantial" investment—whatever that may be interpreted to mean—in any concern with which that railroad does a modicum of business.

For instance, a man who is the owner of a "substantial" interest—which may be held to mean any kind of an investment—in, say, a rubber manufacturing concern from which a railroad has occasion to buy materials (unless it be through the cumbersome and often impossible process of public tender) cannot sit on the board of that particular railroad.

Inasmuch as a railroad system of any magnitude has occasion to make purchases from practically every one of our larger industries, it would seem to follow that men of substance, actively engaged in affairs, will gradually become debarred from serving as railroad directors.

The purpose of the clause to which I refer, was to accomplish the rightful object of preventing unfair preference to be given, through "interlocking" directors, to particular concerns, or illegitimate profits to be made. As a matter of fact, the common law does cover that. Directors are trustees, and the courts have always been particularly strict in protecting the obligations and enforcing ethics attaching to a trust relationship.

However, if Congress did consider it advisable to further protect the public against the possibility of abuses arising from "interlocking" interests, it could and should

have been done in a way that would not have gone the wholly unreasonable length of that particular Clayton Act provision, to which no parallel exists in the legislation of any other country.

Tending to defeat its own purpose.

Indeed, like every extreme statute, this one tends to defeat the very purpose which it was designed to promote. For, if any individual director were unscrupulous enough to be bent on taking advantage of this dual relationship in the way which the provision in question seeks to obviate, and if his fellow directors were complaisant enough to permit him to do so, it would be a simple thing for the "interlocking" director to resign and have a "dummy" representative take his place. That would free him from all restraint and enable him, if he were of disreputable intent, to do just what he would have wished to do otherwise.

In other words, as against a man of honor and a board of men of integrity, the clause is not needed, and as against a man of dishonor and a board of corrupt or unduly complaisant men, it is no protection.

What it has accomplished, is to weaken and embarrass the railroad administrations. What it is bound to accomplish, unless amended, is to eliminate from railroad boards most men successfully engaged in active business, and particularly men engaged in the business of banking.

Why bankers are on railroad boards.

It is not because they control, or care to control, the railroads nowadays that bankers sit on railroad boards. Whatever may have been the situation in the past, that era is gone.

Generally speaking, bankers are on railroad boards either because they were instrumental, through reorganization, in devising the financial structure and carrying out the plan of readjustment, or because they were selected by the railroad concerned to market its securities. In both cases they have a continuing responsibility toward the public and therefore, a continuing duty to

fulfill, which naturally implies their functioning as members of the board.

It is, in part at least, in reliance upon the advice, recommendation or moral endorsement of well-known and reputed banking firms that the public buys bonds or, in the case of reorganizations, pays assessments. And the public, rightly and naturally, looks to the primarily responsible banker, whose lead it has followed in the making of investments, to keep closely posted as to the financial management and affairs of the respective railroad or railroads and to hold a watching and advising brief in regard thereto. In the same way, it is, and long has been, the prevalent practice both here and abroad that the banker joins, or is directly represented on, the board of directors of major industrial concerns for whose securities he has assumed sponsorship before the public.

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The Esch-Cummins Act, a constructive enactment.

In contrast to the things to which I have animadverted in the preceding pages, it is gratifying to note that for the first time, perhaps, in their history, the railroads are now operating under a broadly conceived, statesmanlike enactment, embodying a constructive and consistent theory, *i.e.*, the Esch-Cummins Act.

Its authors are entitled to high credit for the ability, equitableness and courage which guided their deliberations and conclusions. And to the Interstate Commerce Commission appreciative recognition is due for the promptness and decisiveness with which it has acted in granting much-needed relief to the railroads, in accordance with the spirit and intent of that act.

It is an unfortunate coincidence that the coming into operation of the Esch-Cummins law and of the rate increases granted in pursuance of its provisions fell into a period of violent business reaction and almost unprecedented decline in railroad traffic—a circumstance which

favored the attempt to mislead public opinion by attributing to the workings of the new law those consequences which, as a matter of fact, are due to temporary causes of a general character.

Of course, the law is not altogether perfect. It would be impossible for a piece of legislation so complex in its nature and subject not to be found capable of improvement in some respects, as it is tested in actual operation. Observers will naturally reach differing conclusions according to their viewpoints. Personally, I think the conception of the law to be leaning still too much in the direction of sweep and rigidity of commission control.

Of course, the principle of supervision and regulation of the railroads in the public interest has come to stay. The institution of the Interstate Commerce Commission is not only desirable but indispensable.

Governmental supervision and private initiative should be blended.

But it should be entirely possible to realize both the things which I believe a great majority of the American people desire to see preserved; namely, on the one hand, governmental surveillance and authority, so as to emphasize the semi-public character and duties of the railroads, protect the community's rights and just claims, and guard against those excesses of unrestrained individualism which experience has indicated; and, on the other hand, the old American way of private initiative, resourcefulness, zest and responsibility. I believe it is through the combination of those things that the railroads will best be enabled to give the fullest measure of service to the people.

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It seems appropriate, in taking leave of this general subject of governmental interference with business, to quote the following sentences uttered by one who at the time was a detached student of, and considered a leading authority on, the science of government:

"A passion for regulative legislation seems to have taken possession of the country of late. It came upon it suddenly, much more like an impulse of impatience than like a deliberate purpose. Various abuses have sprung up in the conduct of the business enterprises of the country, and the Government must put an end to them by drastic regulation, is the rough and ready reasoning of the reformers.

"What strikes us most about all the regulation and remedial measures adopted is that they are based upon what is for us an entirely new conception of the province alike of law and of government. Governmental control, which we are undertaking so extensively and with so light a heart, sets up not a reign of law, but a reign of discretion and individual judgment on the part of governmental officials in the regulation of the business of stock companies owned by innumerable private individuals and supplying the chief investments of thousands of communities. I can see no radical difference in principle between governmental ownership and governmental regulation of this discretionary kind.

"Governmental commissions cannot possibly understand business better than those who conduct it. Their regulative interference with business will only complete the confusion and embarrassments into which we are so rapidly stumbling. The old processes of law are the more difficult, but the more effective. We must discover just what transactions we wish to put an end to; must have once more the reign of law rather than the reign of government officials."

These weighty words were spoken before the Commercial Club of Chicago on March 14, 1908. *The*

speaker was Woodrow Wilson. They are commended to the responsible leaders of the Party that was in power for the last eight years.

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IV

Labor.

It hardly needs affirmation that in the difficult process of adjusting our affairs from an artificial and highly inflated basis to a true and normal one, labor cannot go wholly unscathed. Generally speaking, the workers, unionized or otherwise, have come to recognize that fact, and it is to the credit of the responsible leaders in the camp of the employees, as well as the employers, that thus far the process of revising the prevailing scale of wages has not led to serious, prolonged, and large-scale breaches of industrial peace.

Mutual forbearance needed for industrial peace.

Even in the railroad industry, where the clashing of views has been hottest and most spectacular, and union prerogatives most firmly and far-reachingly established through governmental sanctions during the period of government operation, it does not seem too much to hope that common sense, mutual forbearance and a recognition of the realities will finally dictate the solution.

A situation in which railroad dividends have declined from $320,000,000 in 1917, to $278,000,000 in 1920 (and still lower, since), while during the same period wages have risen from $1,739,500,000 to $3,700,000,000, is manifestly one that calls for a material reduction of the wage bill, even if it be conceded that there may be other ways, too, in which operating expenses can and should be reduced.

After all, in the last analysis, these matters all come down to the fair and foresighted use, or otherwise, of power temporarily residing with one party or the other. It is true there is no intoxicant, the "heady" effect of which

humankind seems less able to resist than power. Capital had it for many years, and failed to keep within the restraints of wisdom and equity. Labor had it for the last six years of unlimited demand for workers, and became extravagant, and grasping, and of lessened efficiency. The producer had it for a while, and, with some conspicuous exceptions, seems to have given pretty free rein to his covetings. The consumer has it now and is far from squeamish about using it.

Abuse of power reacts upon those who practice it.

Yet all experience has shown that abuse of power or even the unwise use of power reacts no less banefully upon those who practice it than upon those who are subjected to it. It is greatly to be hoped that the bulk of employers will use the present emergency not to get even with labor, but to set an example of fair and considerate and broad-gauged dealing.

We are all beneficiaries of one another's prosperity, and it hardly needs arguing to prove that it is in the best interest of the employer, even from the merely selfish point of view, not to pay the lowest wages to which labor can be squeezed down, but rather the highest wages compatible with the successful conduct of his business, and with keeping his product at reasonable cost.

By the same token, it is in the interest of the worker to be an efficient producer and not to slacken on the job. As the distinguished English economist, Mr. Hartley Withers, in his book, "The Case for Capitalism," has well said: "The wage-earner is most likely to earn good wages when there are as many capitalists as possible putting new capital into industry and competing for the services of the wage-earner as a worker, and for his custom as a consumer. If labor prefers to frighten and threaten the capitalist, the latter will be scarce and shy, and his capital will be scarce and dear."

In the same book, the author reasons interestingly, in contradiction to the widely prevalent belief among em-

ployees that an undue share of the fruit of their labor is appropriated by the employer, that, as a matter of fact, labor gets, demonstrably, at least the whole value of its actual product.

He adds: "If it wants to get also the share of the capitalist and the 'adventurer,' it can do so by saving capital for itself and risking it in industry, thus becoming its own employer and provider. A few shillings per head from the working class would quickly raise the necessary capital to make a trial of democratic management in any industry."

Workers' direct contact with business problems is desirable.

The labor unions in this country claim a membership of 4,500,000. If every member laid aside one dollar each week, the available sum at the end of one year would amount to $234,000,000. That is a pretty tidy fund to start business with, in various lines.

Personally, I should be glad to see the experiment tried and should welcome its success. The more workingmen come into direct contact with, and acquire direct knowledge of, the realities, the complexities, cares and risks of business conduct, the better it will be for all concerned.

In terminating these brief remarks on the subject of labor, I will only refer in a few words to the gratifying and reassuring fact that, notwithstanding insistent urgings on the part of agitators, American workmen do not carry class consciousness into politics.

American workman votes as a citizen.

A conspicuous demonstration of this truth was given in the last Presidential election, when, although the leading spokesmen of organized labor took active and vigorous part in opposing the Republican candidate and party, every industrial State in the Union gave very large Republican majorities, which, of course, would have been impossible if there had been such a thing as a compact labor vote. The American workman votes as a citizen, not as a member of a separate class, a fact too often for-

gotten by politicians. Perhaps it is too often forgotten also by employers.

If the workman is expected to vote from the broad point of view of a citizen, employers must be regardful of his self-respect, and do their part to strengthen his faith in, and adherence to, our social and governmental system. They must treat him as a responsible fellow-citizen at all times and in all ways, and not merely during electoral campaigns.

* * * * * * *

It may be permissible in this connection to quote the following excerpts from a speech which I delivered a few years ago:

"There are many different kinds of labor, there are many different kinds of capital. Not infrequently the workman and the capitalist overlap and merge into one. You have skilled labor, and unskilled labor, and casual labor; you have the small employer, the large individual employer, the corporate employer, the farmer, the inventor, the prospector, etc. And then, circumstances and conditions vary greatly, of course, in different parts of the country and in different industries.

"It is impossible to measure by the same yardstick everywhere, but the principle of fairness can be stated, the desire can be stated to do everything possible to bring about good feeling and good understanding between labor and capital, and willingly and freely to coöperate so that labor shall receive its fair share in the fruits of industry, not only by way of a wage return, but of an adequate return also in those less tangible things which make for contentment and happiness.

"It seems to me that, in the main, right-thinking men of capital and labor would concur in the following points:

"1. The workman is neither a machine nor a commodity. He is a collaborator with capital. (I do not use the word 'partner,' because partnership implies

sharing in the risks and losses of the business, which risks and losses labor does not and can not be expected to share, except to a limited extent and indirectly.) He must be given an effective voice in adjusting with the employer the conditions under which he works, either through committees in each factory or other unit, or through labor unions, or through both. Individual capacity, industry and ambition must receive encouragement and recognition.

"The employer's attitude should not be one of patronizing or grudging concessions, but frank and willing recognition of the dignity of the status of the worker and of the consideration due to him in his feelings and viewpoints. Nor must the employer look for 'gratitude' and be disappointed, discouraged, or resentful if he does not find it. No man is entitled to ask gratitude for doing that which is right. The just and enlightened employer may expect good will, esteem, and a fair day's hard work for a fair wage, but the relation between employer and employee is false and untenable if it is sought on the part of the employer to base it on the conception of himself in the rôle of the generous dispenser and the workman in the rôle of the duly obliged recipient.

"Everything practicable must be done to infuse interest and conscious purpose into the work of the employee and to diminish the sense of drudgery and monotony of his daily task. The closest possible contact must be maintained between employer and employee. Arrangements for the adjustment of grievances must be provided which will work smoothly and instantaneously. Every feasible opportunity must be given to the workman to inform himself as to the business of which he is a part. He must not be deprived of his employment without valid cause. For his own satisfaction and the good of the country every inducement and facility should be extended to him to become the owner of property.

"Responsibility has nearly always a sobering and usually a broadening effect. I believe it to be in the interest of labor and capital and the public at large that workmen should participate in industrial responsibilities to the greatest extent compatible with the maintenance of needful order and system and the indispensable unity of management. Therefore, wherever it is practicable and really desired by the employees themselves to have representation on the Board of Directors, I think that should be conceded. It would give them a better notion of the problems, complexities and cares which the employer has to face. It would tend to allay the suspicions and to remove the misconceptions which so frequently are the primary cause of trouble.

"The workman would come to realize the problems, cares and worries of the employer and the strain, the vicissitudes and risks which the management of business involves. He would find himself face to face with the workings of practical economics and would discover them to be very different from the theories which agitators have dinned into his ears. He would come to see that capitalists are not, perhaps, always quite as astute and deep as they are given credit for being, but, on the other hand, are a good deal less grasping and selfish than they are frequently believed to be, a good deal more decent and well-meaning, and are made of the same human stuff as the worker, without the addition of either horns or claws or hoofs.

"2. The worker's living conditions must be made dignified and attractive to himself and his family. Nothing is of greater importance. To provide proper homes for the workers is one of the most urgent and elementary duties of the large employer. To the extent that the employer or other private sources are unable to provide such homes—and, of course, the smaller employer has

not the means to do so—it becomes the duty of the State or the community.

"3. By his own action, as far as possible, and, where or when that possibility ends, by action of the employer or even of the State, the worker must be relieved of the dread of the results of sickness, unemployment and old age. It is inadmissible that because industry slackens, or illness or old age befalls a worker, he and his family should therefore be condemned to extreme privation or avoidable suffering. The only ones on whom a civilized community has the right to turn its back are those unwilling to work.

"4. The worker must receive a wage which will permit him not only to keep body and soul together, but to take proper care of his wife and children, to have for himself and them a share of the comforts, interests and recreations of life, to lay something by, and to be encouraged in the practice, and obtain the rewards, of thrift.

"5. Labor, on the other hand, must realize that high wages can be maintained only if a high scale of production is maintained. Restriction of production through labor union regulations is a sinister and harmful fallacy, most of all in its effect on labor. Even the official organ of the Bolshevist régime in Russia announced recently that 'increased production is not only the imperative duty but the imperative interest of the proletariat.'

"The advent of the machine period in industry somewhat over a century ago brought about a fundamental and violent dislocation of the relationship which had grown up through hundreds of years between employer and employee. The result has been a grave and long-continued maladjustment. In consequence of it, for a long period in the past, it must be admitted labor did not secure a square deal, and society failed to do anything like its full duty by labor. But, more and more of recent years, the conscience and thought of the world

have awakened to a recognition of the rights of the working people. Much has been done of late, especially in this country, to remedy that maladjustment, the origin of which dates back to the beginning of the nineteenth century. The process of rectification has not yet been completed, but it is going on apace.

"Meanwhile, laboring men should take care that, in their rightful resentment against former practices of exploitation and in their determination to obtain the redress of just grievances, they do not permit themselves to be misled by plausible fallacies or self-seeking agitators. They must not give credence, for instance, to the absurd preachment that practically all wealth, other than that produced by the farmer, is the product of the exertions of the workingman.

"There are, of course, a number of other factors that enter into the creation of wealth. Thus, for instance, the 'directive faculty,' the quality of leadership in thought and action, is not only absolutely needful in all organized undertakings, great or small, but increasingly rare and, consequently, increasingly more valuable as the object to which it addresses itself increases in size, complexity and difficulty. Production depends not only upon willing hands, but equally, if not more, upon creative brains, capable direction, venturing capital.

"Let us take, as an example, the case of Mr. Henry Ford. Through the organizing genius and enterprise of this absolutely self-made man, not by monopoly, but in keen competition, the automobile, instead of being a luxury of the few, has been brought within the reach of those of modest means.

"The cost of the product has been vastly lessened. The margin of profit on each automobile sold has been greatly diminished. Wages have been largely increased, the living conditions of employees greatly improved.

Work has been found for a great many more men than were employed before.

"In other words, every single human factor concerned in either production or consumption has been advantaged. New wealth has been created at the expense of no one. It can not be said that it was created by the workingman, except in the physical sense. It was not created by either monopoly or privilege. It was created mainly out of Mr. Ford's brain and at his risk.

"By far the largest percentage of this new wealth goes to pay the wages of workingmen and other expenses of the business, but out of what is left Mr. Ford's share is, by common report, many millions of dollars.

"Did Mr. Ford *earn* these millions of dollars? If not, how much did he *earn?* By what scale would you measure the proportion due to him of the new wealth created mainly by his faculties?

"Is there any instance where communistic or even merely coöperative undertakings have produced results comparable to those achieved by Mr. Ford? Is there any instance where governmental management has produced similar results?

"Or, to take another instance: The State of Florida existed long before Mr. Henry M. Flagler came upon the scene, but its opportunities were permitted by its people and government to lie largely dormant until Mr. Flagler risked his fortune and employed the power of his creative genius to realize the visions which he conceived as to the possibilities of that beautiful and richly endowed portion of our national domain. The new wealth, growth and opportunities which were created by Mr. Flagler's daring and far-flung enterprise, undertaken and carried out by him almost single-handed in the face of scoffing and discouragement and vast difficulties, are almost incalculable.

"A portion of that new wealth—a considerable portion

regarded by itself, but utterly insignificant as compared to the total enrichment of individuals as well as of communities, the State, and the nation—went to Mr. Flagler. Did he earn that reward? Can it be denied that his directive faculty and pioneering genius were a splendid investment to the people of Florida and of the nation, at the compensation he received?

"It would be easy to multiply similar instances testifying to the vast additions made to the assets of the community by the genius, daring and efforts of men endowed with the gifts of industrial captaincy."

V

As to the concluding subject of my remarks, *viz.*, the situation in Europe and our relation thereto, it is, of course, impossible to discuss this complex matter adequately within the limitations of the time left at my disposal.

Our position reminds me very much of a story told during the war: A small patrol had been sent forward, and after a few minutes those left behind heard a voice calling back, "Sergeant, I have made a prisoner!" The Sergeant shouted, "Well, bring him in!" and the voice came back, "But he won't let go!"

Europe "won't let go." Even if President Wilson had not committed the fatal mistake of walking personally into the parlor of European diplomacy in Paris, even if the Peace Treaty and its attachments had not been framed with deliberate intent to make complete disentanglement for us a matter of practical impossibility, we still could not wash our hands of Europe.

League of Nations an ill-designed contrivance.

As one who, from the very first, has looked upon the League of Nations in the form and spirit which were given to it by the "Big Three" in Paris as an ill-designed and objectionable contrivance, who always has strongly

opposed our joining it, and who considers the Versailles Treaty and the "Peace" Treaties with Austria, Hungary, Bulgaria and Turkey as unique among instruments of their kind for faultiness and harmful consequences, I am yet bound to submit to the compelling logic of existing facts. The European situation at present is a major element in our own affairs.

Europe owes to our Government approximately twelve billion dollars, including interest, and to American financial institutions, firms and individuals sums variously estimated at from one to three billion dollars. At the same time, the fact has arisen that our productive capacity has outrun our consuming power. While guarding our home market as our most valuable trade asset, we must project our vision and our activity over the entire world to a much greater degree than heretofore.

Trade is not, and cannot be, a one-sided affair. We must buy from Europe, loan to Europe, invest in Europe. Whatever stimulates Europe's consuming capacity, whatever tends to reëstablish order and normal conditions of trade and productivity "over there," is of interest and advantage to us. Whatever is calculated to retard Europe's recovery, is of distinct detriment to us, and reacts upon our own prosperity.

Europe's prosperity reacts upon our own.

Whether we like it or not, we must take part in the economic affairs of Europe. We must join in efforts to bring about genuine settlement and appeasement of the world, lamentably and culpably delayed hitherto. Not seeking any exclusive advantage for ourselves, and therefore, unblinded by selfishness, deriving our compensation out of the results flowing from the enhanced well-being of all nations, we are peculiarly qualified to illumine the murky gloom of post-bellum and post-treaty Europe with the bright rays of well-meant, judicious counsel and to contribute effective collaboration.

We cannot avoid taking within our purview that bane-

ful legacy of the Versailles Treaty, the reparation question.

It is difficult to set a limit to the amount which sheer justice would exact from Germany by way of reparation for the devil's visitation unloosened upon the earth. But there is a limit, of course, as the Allies have recognized, to the amount which it is possible to collect from Germany in gold marks or their equivalent. And still more, as has not perhaps been sufficiently recognized, there exists a very distinct limitation as to the kind of economic values in which the Allied nations would be willing, and could afford, to accept payment.

In what token of value is payment to be made by Germany? Her gold reserve is a relatively insignificant sum. By appropriating it, the creditors would gain but a slight fraction of their claim and at the same time gravely injure, to their own detriment, the working and producing capacity of the debtor. Her depreciated paper money, the product of her printing presses, has, of course, no adequate value for purposes of international liquidation. Her taxes produce paper marks, worth today one and a half cents apiece. So do her industries and other internal assets, except to the extent that they create exports. Her foreign investments (as far as traceable), her colonies, her mercantile fleet and kindred assets, have already been appropriated by the Allies.

What means has Germany to pay reparation?

What, then, is left for Germany to pay reparation with? The answer is: Essentially, raw materials, labor and products of manufacture.

The aggregate of raw materials which the Germans can deliver and the Allies absorb, or use without results disturbing to their own trade and troubling their respective international trade relations, is large, yet necessarily limited.

As to the employment of German labor, the only one of the Allied countries in which there would be scope for

that on a commensurately large scale, is France, in the devastated regions. The sentimental and practical objections on the part of the peoples of France and the other Allied countries to such employment, to any great extent, are manifest.

Finally, as to manufactures: Can it be expected that the Allied countries will permit themselves to be inundated with German goods, to the detriment of their own merchants and manufacturers? Or can it be expected that American or neutral industrial countries will permit a flood of German goods to come upon their markets, in order to establish German credit balances which the Allies could utilize for reparation purposes? Or can it be expected that, to aid that purpose, exporters in America or the Allied nations will leave European, South American, Asiatic or any other markets uncontested to the German exporter?

Limits of receptivity of Allies for articles of German manufacture.

The experience of the last two and a half years has demonstrated that the Allies, as a matter of fact, do not care to have certain articles of German manufacture which, at the time the Treaty was concluded, they counted on as large items in the liquidation of the reparations bill.

They do not want to have any more ships of German make. The ship market is glutted as it is. They do not at present feel inclined to take German machinery to any considerable extent, as that would mean a permanent footing in their countries for German industry, through orders for replacements, spare parts and new installations. They do not at present want dyestuffs and chemicals, as they wish to build up their own industries in these particular branches.

They have been reluctant heretofore to accept participation in German industrial enterprises by way of reparation, as they shrink from the idea of their people hav-

ing a financial stake in the prosperity and development of such enterprises.

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What, then, is the answer to the problem? Is Germany to escape financial atonement? Are the Allied nations, and, particularly, is France, cruelly ravaged France, to be left to carry the staggering economic burden resulting from the war, in addition to the appalling sufferings, sorrows and sacrifices which they have borne with such splendid heroism? That is unthinkable and revolting to every instinct of right.

I will not venture to make a categorical answer fully covering the question, but it seems to me that part of the answer is this:

Germany must go to the limit of her capacity.

Germany must go to the limit of her capacity and of bearable conditions, to make reparation in a way acceptable to the Allies. The first item is payment in cash or in kind to the extent that will be found fairly feasible. In addition, a considerable aggregate of economic values can be obtained from her through other direct performance in such ways as will not be detrimental to her creditors. A further amount can be secured through the enforced or voluntary imposition of export or import duties, though it must be borne in mind that that method involves one of two consequences: Either the foreign buyers of German goods everywhere bear part of that burden through enhanced prices for such goods, or there will result a gradual shrinking of German trade, which means that the security of the Allied creditors becomes decreased in value and productivity. There are sundry additional devices appropriate for the purpose in view, which I will not take your time to enumerate.

But it is a thorny problem altogether, and if not handled wisely and foresightedly, it is not inconceivable that reparation may be turned into the reverse of a boon for the recipients. The seemingly simple and popularly

appealing way may not be the best one to take. It is greatly to be hoped that those in responsible positions in the Allied countries will have the sagacity to think the question out in all its complex bearings, and the courage to act accordingly.

We must take part in bringing about settlement.

Another part of the answer should consist, I believe, in recognition on our part that we cannot afford to refrain from playing a *practically* helpful part in the settlement. We cannot afford to refrain, because we cannot be callously heedless to the call of justice and of sentiment, and also because our material interest is directly involved.

Our export trade requires the restoration of normal conditions in Europe, and that consummation is impossible of attainment as long as the reparation question remains an open sore between France and Germany. The repercussions of that condition are certain to be felt throughout continental Europe, and more especially and acutely throughout Europe east of the Rhine.

The conclusion seems to me unescapable that we should enter into that situation both with counsel and with that coöperation which only we are in a position to give, and which we can give with perfect safety.

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More or less related to that subject is the matter of the indebtedness of the Allied nations to our Government arising out of the war, and amounting to twelve billion dollars, including interest.

The Allied debts to the American Government.

I am not one of those who approach the matter of that debt with a feeling of apologetic diffidence. The contention that our loans to the Allies should naturally be considered and treated as a contribution to the common expense of the war, does not seem to me justified.

The circumstances and motives of our entrance into the war were essentially different from those which affected most of the Allied nations when they unsheathed the sword. They were compelled to fight either in self-

defense, or to protect momentous national interests which would have been vitally jeopardized in case of a German victory. America, on the other hand, went into the war wholly of her own free will. Neither compulsion of self-preservation nor any fear of the intentions or actions toward us of a Germany emerging from the war unwhipped, nor any hope of, or desire for, gain actuated our decision to throw the American sword into the scale on the side of the Allies.

America made no secret treaties or bargains, as the Allied nations did. She was wholly uninfluenced by material or political consideration. She fought because her dignity had been flouted, her flag defied, and her Government treated with contumely, but above all—consciously, deliberately, with a full realization of the cost involved in lives and treasure—because the predominant opinion of her many-rooted people had reached the conviction finally that the cause of the Allies was that of right and liberty struggling against a power led and controlled by treaty-defying military reactionaries and bullies; and because they felt that in such a cause America's place was not in the camp of safe and profitable neutrality, but on the battlefield by the side of the champions of freedom and justice. As Professor Paul L. White, of Yale University, has well expressed it: "Our declaration of war marked the triumph of justice over expediency."

Furthermore, there is this essential point of differentiation between us and the Allies: that each of them took material compensation from the vanquished, to the full extent that there were assets available, territorial, physical or financial, not to mention advantages accruing to them of a less tangible, but none the less real, nature. (If some of the things which were believed to be assets turned out later on to be rather liabilities, that does not alter the essence of the case.)

America, on the other hand, demanded nothing and

received nothing. Indeed, in certain respects, the territorial status resulting from the *post-bellum* settlement may be said to be rather unsubservient than otherwise to American interests. We are carrying the immense burden of our war expenditures without any compensating tangible return, except a few ships and the German assets now in the hands of the United States Alien Property Custodian, all of which assets, or their proceeds, according to pending proposals of the Government, it is intended to refund to the former German owners, outside of a sufficient amount only to cover proven claims of American private citizens against Germany. (It is possible that the conclusion may be reached to retain not even that amount.)

The assertion of these and kindred considerations is entirely compatible with the warmest admiration for the heroism of the Allied nations, with the sincerest friendship for them, and with the altruistic motives which actuated America in entering the war.

But it remains equally true, on the other hand, that we are unquestionably called upon to take fully into account the circumstances under and the purposes for which these loans were contracted, the existing abnormal state of the exchanges, and the difficulties of the economic problems which confront our Allied friends. And we must be willing to look the realities in the face.

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In a very able speech, Mr. John Foster Dulles, who made an admirable record as counsel to the American Peace Commission, said recently:

The fantastic balance sheets of the war.

> "I believe that our difficulty in solving the reparation and like post-war financial problems is perhaps due to a failure to recognize that the almost fantastic balance sheets that have resulted from the

war are but partial records of extremely violent and wasteful economic forces that have been at play.

"The Allied indebtedness to us of some $15,000,000,000 records the fact that the industrial efforts of the United States were intensely concentrated in pouring into Europe a vast flood of munitions and equipment, food and transport, which were there consumed in the fiery furnace of war.

"To reverse what then occurred, and to require the Allies to pour back upon us an equivalent stream of commodities will be more destructive to our laboring and industrial tranquillity than war itself."

Mr. Dulles then goes on to speak of the almost inconceivably huge total claimable by the Allies from Germany, and continues:

"These vast debts could never have come into being under normal conditions. No more can they be fully paid under normal conditions. They can only be fully paid by economic efforts as violent and as destructive as those which were required to give them birth.

"A hurricane has swept the world. We survey with grief the wreckage which lies in its train. But let us not commit the capital error of believing that all will be righted by another hurricane if only it blows from a different direction."

Of course, I do not mean, nor, I am sure, did Mr. Dulles mean, to put Germany's debt to the Allies, and especially to France, on the same footing as the Allied debts to us.

There enters into the claim of the Allies against Germany a moral element which far surpasses any merely legal right. The conscience of the world will not be

satisfied until Germany has made at least that degree of material reparation, inadequate though it must be at best, which by her utmost practicable efforts she is able to produce.

Debt problems are interrelated.

Yet, to an extent, all these problems of debts arising from the war are interrelated. Our situation makes it our duty, as well as our self-interest, to deal with them on broad, farsighted and liberally constructive lines. The debts of the Allied nations to us are no ordinary commercial debts, and they cannot be treated as if they were.

To the extent that we can see our way to utilize part of them to aid effectively in the reëstablishment of economic equilibrium and political settlement in Europe, they will have proved to be a fructifying investment, both actually and morally.*

And we shall then be all the more justified in insisting that in the treatment and determination of various questions which are now pending, or will come up for discussion, as to matters arising from the world-adjustment following the war, our rights shall be respected, and the spirit of large-minded consideration all round shall be dominant.

* For a further discussion of the question of the Allied Debts to America, see pp. 288-295. (PUBLISHERS' NOTE.)

THE EFFECT OF TAX REVISION ON PROSPERITY *

AMONG the influences which are primarily responsible for the prevailing lack of prosperity and the resulting widespread depression and unemployment in this country, one of the principal ones is the faultiness of our taxation system.

I am most reluctant to attribute uncommendable motives to those from whom I differ, but it is difficult to resist the conclusion that even at a time when widespread distress makes so loud and urgent an appeal for the remedy of statesmanship, the matter of tax revision is being approached by some legislators in the spirit of narrow partisanship and with prejudices unattenuated by the all too irrefutable lessons of the past four years.

To such it would be useless to address arguments. But you I have long held in high respect for your ability, your motives and your moral courage, and, therefore, seeing from published reports that you are opposed to the reduction of the surtaxes to a maximum rate of 32 per cent, as adopted by the House of Representatives, I make free to ask your consideration of the following observations.

Man of means can escape surtaxes.

Permit me to point out, at the outset, that from the merely selfish standpoint, the man of means need have little quarrel with the existing schedule of surtaxes. If he chooses to avail himself of the lawful opportunities at hand, he can invest a greater or lesser portion and, in some cases, all of his capital in tax-exempt securities at

* A letter to Hon. Irvine W. Lenroot, United States Senator, dated October 7, 1921.

an attractive rate of interest, and, to the extent that he does so, the income tax and surtaxes will cease to trouble him.

In venturing to address to you the following observations, I am actuated by the conviction that an adequate reduction of our extreme surtaxes is among the things indispensably requisite to restore the economic equilibrium and the prosperity of our country.

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Working capital is penalized.

1. The higher "brackets" of the surtaxes have ceased to be productive. They have, in fact, largely abolished themselves, but in the wrong way: to the extent that they are collected, they penalize the working capitalist, the man engaged in enterprise and active business, as against the idle capitalist.

They have produced less and less, year by year. For the period covered by the last published official figures, they produced but one-third approximately of what they produced in the first year of their existence, and for the present year they will unquestionably produce still less. Quite apart from the simple way of avoidance, through investment in tax-exempt securities, they challenge the ingenuity of those subjected to them to find means of escape from their rigor, as every extreme statute does.

It is human nature that men will resort to any legitimate means of defense against oppressive exaction. I have no doubt that surtaxes which (including the normal tax) do not claim more than, say, as a maximum, one-third of a person's income, will produce a larger revenue than the present rates which claim up to nearly three-quarters of a person's income.

Our extreme surtaxes have all the ill-effect of a measure which hampers and deters enterprise, drives funds into tax-exempt securities, or into hiding, and interferes with the free flow of capital, without even having the

advantage of producing anything like commensurate revenue. They are one of the most perfect demonstrations of the perverse workings of an unwise and economically unsound law.

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2. Why is it that in the face of unprecedented gold reserves and of a long-continued process of commercial liquidation, which should have brought about a commensurate easing in the price of capital, investment funds can only be obtained at rates without a parallel in a generation and longer? * Why is there no money available for mortgages and building operations? Why, given the proverbial energy and push of our people, has new enterprise come to a standstill?

Why no money is available for enterprises.

Why are there no funds forthcoming now for the financing of propositions, in themselves attractive and sound and promising?

Why does America, coming out of the war with her strength practically undiminished and her relative position among the nations greatly enhanced, fail to exploit the opportunities at her hand?

The principal direct single cause is clumsy and destructive taxation, which has violently interfered with the normal flow of capital; prevented the accumulation of funds necessary for industry and enterprise; appropriated the cash reserves needed for the conduct of business, and largely removed the stimulus of reward.

If the rules of a game are that one party takes upon itself all the risk of loss, all the care, worry, venturing and effort, and the other party takes the bulk of eventual

* It is true that there is, for the time being, an active demand for bond investments (partly due to slackness of general business, to the absence of enterprise, and to the lack of faith in any but fixed interest-bearing investments), but, owing to the withdrawal of men of considerable incomes from the field of taxable bonds, the cost of investment money has remained inordinately high for the borrower, and the expense of effecting the sale and distribution of bonds has doubled since the surtaxes have come into operation.

winnings, in the shape of surtaxes, excess profits taxes and inheritance taxes, the inevitable result will be that the former party will at least reach the conclusion that the odds are too heavy against it, and will abstain from playing.

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Why extreme tax rates kill prosperity.

3. I have heard it said, in response to arguments on the lines of the foregoing, that after all, what is effected by our high surtaxes and similar taxes, is simply a dislocation or redistribution of money and nothing more. The money taken by these taxes, it is said, does not vanish. It is merely taken out of the bulging pockets of the rich and put into general circulation again, through being expended by the Government.

That has a plausible sound, but it overlooks two vital considerations: First, money in the hands of the Government cannot possibly be anywhere near as productive and fructifying and active as in the hands of individuals. There are many reasons for this all too well attested fact, especially under democratic institutions, one of them being that, unlike the individual, government is not stimulated by the expectation of reward, nor deterred by the penalty of failure.

Money, of course, is an instrument merely. It produces different results according to how and by whom it is used. Money engaged in private business is continually and feverishly on the search for opportunities, *i.e.,* for creative and productive use. In the hands of the Government, under its necessarily bureaucratic and routine regime, it is bound to lose much of its energy and striving, and all of its dynamics and daring, and to sink instead into placid and somnolent repose.

Secondly, much the largest part of the nation's liquid capital is owned by those of small and moderate means, either in the shape of direct investments, or through

deposits in savings banks, or with life insurance and kindred institutions.

But the funds so held are not, generally speaking, and ought not to be, available for starting and financing new and untried enterprises. The man of small means ought not, and as a general rule will not, and savings banks and life insurance concerns, etc., do not, and indeed under the law must not, place funds otherwise than in seasoned investments.

The capital which can afford to take, has an incentive to take, ought to take and heretofore has taken, the risk of starting and financing new enterprise and doing the pioneer work of the country, is that relatively small percentage of the nation's total capital which is represented by the surplus funds of corporations and of well-to-do individuals.

That is a function of very great value to the community, and that function has been woefully crippled by the existing surtaxes, both because they have prevented the accumulation of capital and because they have taken away the incentive to venturing and risk-taking. The source of the supply of funds for pioneering and for developing the country has run dry under the withering action of those taxes.

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Damaging application of plausible formula.

4. The formula "taxation according to ability to pay" has a close spiritual relationship to the Wilsonian formula of "self-determination." Both are right in theory, but both must be applied within the rule of reason and with that discrimination which takes account of practical considerations and consequences; else they are bound to become mischievous and breeders of great harm, as indeed they have become.

I can think of few greater disservices rendered to those who were meant to be benefited, than our taxation policy as now in force. The common man may have

been saved a few dollars a year in taxes, ostensibly, but he has been disadvantaged by many times a few dollars in the way of taxes passed on to him through enhanced cost, and in the way of bad times and unemployment.

In faulty taxation and in its result of throwing the economic equilibrium of the country out of gear and putting barriers across the old-established routes of trade and industry, must be found one of the main explanations for that stagnation and depression which keeps millions of men idle.

Faulty taxation causes industrial stagnation.

In the all-pervasive effects of faulty taxation must be found one of the reasons for the maladjustment which causes inordinately low prices for the things the farmer produces, while at the same time enhancing the costs of the things he buys.

I am engaged in the business of financing enterprise, and I know from personal experience how continuously nowadays projects, the execution of which would aid in turning the wheels of industry and creating employment, are running up against the impediments of taxation, and are broken and discarded.

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Our surtaxes highest in the world.

5. The man of small or moderate means is taxed far less in this country than in any of the leading nations of Europe. That is as it should be, because the sum total to be raised by taxation for our governmental needs is moderate compared to what it is in the principal European countries, in proportion to our wealth and population and theirs. But our Federal surtaxes rise to rates higher than exist in the tax schedules of any European nation, in addition to which we have State income taxes, which are unknown in Europe.

It cannot be supposed that the peoples of Europe have particular tenderness for rich men, any more than we have, or that in the extremity of their needs they would

hesitate to go the limit in exacting contributions from wealth.

But these nations have larger and longer experience in these matters of governmental economics than we have, and they have learned that there is a limit beyond which direct taxation cannot go without consequences both damaging to national revenue and dangerous to national well-being.

Even if our highest surtax-rate is reduced to 32 per cent, as provided in the House Bill, it will still be in excess of the highest surtax rate in most European countries. (The taxation about to be introduced in Germany, defeated and under a staggering burden of reparation is, of course, not one with which comparison can be made for purposes of ordinary and orderly revenue-raising.)

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6. For many years, prior to the war, America's development proceeded by leaps and bounds, and the people prospered under a scheme of taxation which had been in vogue practically since the beginning of the Federal Government, and which sat so lightly on everybody that the subject of taxation was one of but slight general concern.

Riding a good horse to death.

In the relatively recent past, by constitutional amendment, we introduced into our tax system the principle of the progressive income tax, which I wholly approve. But to raise direct taxation, as we have done, at one fell swoop, from a small fraction, as heretofore, to practically 80 per cent of our total revenue, means "riding a good horse to death."

There is really no difficulty in providing the three and a quarter billion dollars which the Government requires in taxes. It can be done without causing a continuance of those tribulations which now weigh upon all the people, although they were meant and mistakenly expected to

weigh upon a small minority only. But to accomplish this task we must be willing to recognize the facts which experience, both with us and in other countries, has demonstrated unmistakably, and to act accordingly.

The whole theory, never applied heretofore either in this country or elsewhere, of piling on huge taxes at the top in the expectation that they would not percolate downward, is a fallacy which has been proved such by the actual test of the last few years. That theory will, I am convinced, be found not to be reconcilable with the social, economic and governmental conceptions of this or any other country, the institutions of which are based upon the system of individual enterprise as contrasted with the socialist or semi-socialist doctrine of civilization and government.

There is a bi-partisan testimony from the highest quarters to the effect that the extreme "brackets" of our surtaxes have ceased to be productive, are harmful in effect, and should be adequately reduced.

Former President Wilson is on record to that effect. So are three Democratic Secretaries of the Treasury, *viz.,* Messrs. McAdoo, Glass and Houston. So is the former Undersecretary of the Treasury, Mr. Leffingwell, a Republican. So is the present Secretary, Mr. Mellon. So are the most eminent economic experts.

A reduction of the highest surtax "bracket" to 32 per cent, which, with the addition of the normal tax, means income taxation at the rate of little short of 40 per cent, to which must be added State, County and Municipal taxation, cannot be considered, in times of peace, as erring on the side of excessive leniency.

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Relief for unemployment and bad times.

7. To relieve unemployment, restore normal prosperity, and redress the plight of the farmer requires, among other things, a system of taxation which seeks

Farmer should take helpful attitude toward industry.

to promote industry rather than lame and retard it. I realize fully, and deplore, the situation in which the farmer in this country finds himself. It is a situation which has been created by no fault of his, but he cannot escape from it by narrow or sectional devices. One of the most effective aids which the farmer can exert on his own behalf is to take a helpful attitude toward business at large and insist upon his representatives in Congress giving effect to this point of view, expecting and demanding, of course, reciprocal care and consideration for his own business, *i.e.,* the industry of agriculture.

It is in so far as a revival of manufacturing and productive industry generally is made possible, that there will be created that purchasing and consuming power upon which the farmer must depend to sell the commodities which he produces. It is largely because purchasing and consuming power in general is so greatly reduced that the farmer's plight has become so grave.

I feel convinced that a tax policy along the lines now being urged upon the Senate Finance Committee by the opponents of adequate surtax-reduction, will greatly militate against accomplishing the ends which, while they are of importance to the well-to-do, are of infinitely more vital consequence to the farmer, whose markets have crumbled, and to the workingmen whose jobs have disappeared.

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8. There are at present about fifteen billion dollars of tax-exempt securities available, and more are coming out almost daily. In the first eight months of this year approximately seven hundred million dollars of such securities have come upon the market; in the month of August alone, one hundred million dollars.

True, there is a movement on foot to have a constitutional amendment adopted which will prevent hence-

forth the issue of tax-exempt securities.* But such an amendment even if sanctioned by Congress, which seems exceedingly doubtful, would relate to future issues only, and, moreover, cannot be ratified and become effective for several years. By that time, the aggregate of tax-exempt securities outstanding will have become so vast that, for immediate revenue purposes, the prohibition of future issues will have little more effect than locking the stable door after the horse has escaped.

Huge exodus of capital into tax-free bonds.

There is but one effective way of stopping the huge exodus, which has been going on and continues ever-increasingly to go on, of capital into the haven of tax-exempt securities, and that is, so to reduce surtaxes as to remove the immensity of the advantage now offered by such securities.

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Sound legislation a prerequisite for prosperity.

9. With due deference to your far greater knowledge of politics, I venture to say that the people judge a political party not by the details of its legislative enactments, but by their results. What is of vital concern to the average man and woman, as distinguished from agitators and vociferous "spokesmen," is not whether the surtaxes are 20, 30, 40, or 50 per cent, but whether the actions of the Party in power will, in effect, retard or promote the return of good times and abundant employment. It is my business to keep track of the currents which determine the trend of affairs, and I speak from practical knowledge when I say that good times and abundant employment cannot return as long as enterprise is lamed and the natural flow of capital deflected by oppressive and exorbitant taxation.

I trust that this letter will find acceptance in the spirit which has prompted it. It is written by one who holds

* A resolution proposing a constitutional amendment to that effect was submitted to the House of Representatives on February 7, 1924, but failed of passage.

you in high esteem and who, in an emergency which he believes to be fraught with good or harm to the country according to the way it is dealt with, ventures to bespeak your consideration for his views, based both on the study of economics and on practical experience.

You may, I daresay you will, differ from these views, but I hope you will believe that they emanate from sincere conviction, that they aim at furthering the welfare of the country, and that, in the process of reaching conclusions, I have conscientiously endeavored not to permit myself to be influenced by personal considerations.

A PLEA FOR PROSPERITY *

THIS country of all countries ought to be the home of prosperity, blessed as it is with prodigious natural resources, boundless in the scope and diversity of its opportunities, situated on a continent which long has been, and promises to remain, the abode of peace, peopled by a race enterprising, hard-working, intelligent, and orderly, and living under wise and stable political institutions. We have come out of the war with our strength practically undiminished and our relative position among the nations greatly enhanced. Yet, for two years we have walked in the shadow of severe economic depression, and if we look the facts straight in the face, while we can and do see much improvement and distinctly better prospects, we cannot honestly say that a return to the usual buoyancy of American enterprise, to abundant employment and to the normal conditions and rewards of trade, manufacture, and agriculture is yet plainly within view.

Why should this be so, in a country which has been noted heretofore for its resiliency, its quick and vigorous rebound from periods of depression? Why, in the present instance, should the road of recovery be as regrettably and stubbornly slow and difficult as it is being found to be?

Some of the causes in which the answers to these questions must be found are not within our control, such as the fatal consequences of the faultiness of the abortive Peace Treaties of Versailles, Saint-Germain, Sèvres and

* An address delivered before the Association of Stock Exchange Firms, New York City, on February 3, 1922.

Trianon, and the unceasing wrangling on the European Continent.

But one of the principal causes militating against the early consummation of a return to normal prosperity in this country it is in our power to eliminate whenever it may please Congress to do so, and that is the clumsy, disingenuous and mischievous system of taxation adopted in 1917, and, although twice amended since then, still continuing in the wrongheadedness of its underlying principles.

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It is interesting to note that the extreme surtax rates embodied in our revenue measures since 1917 do not represent the advice and judgment of the responsible leaders of either of the great political parties, nor the vote of the House of Representatives, as enacted in the bills sent by the House to the Senate, nor even the judgment of the Senate Committee specially charged with the function of studying and recommending measures of revenue-raising.

In 1917 the recommendations of the Senate Committee in charge were set aside by the assault of a group of radical Senators, who stampeded their colleagues into voting for much higher surtaxes than had resulted from the deliberations in the calmer and more responsible discussions of the committee room.

In 1921 the popular branch of the Federal legislature, the House of Representatives, voted to reduce the highest surtaxes to 32 per cent, and the Senate Committee adopted the same rate, only to reverse itself at the bidding of a group of Senators who successfully insisted upon far higher rates of surtaxes than had been fixed by the vote of the House, and by the original vote of the Senate Committee.

A Democratic President and a Republican President, three Democratic and one Republican Secretary of the

Treasury have advocated an adequate reduction of our extreme surtaxes. Yet this evil, and the country-wide damage flowing from it, remain uncorrected, for the slight modification effected last year is no correction.

The underlying trouble with our whole scheme of taxation is that it is based upon, and actuated by, not plain businesslike consideration of revenue-raising, but social experimentation, plus class and sectional animosity. The aim, when that scheme originally was enacted into legislation, was to "take it out of" the few and "out of" the mainly industrial States, primarily the East. The crudity of that theory was covered by the formula "taxation according to ability to pay."

That is a formula to which fair-minded and right-thinking men will give adherence in principle; but it must be applied within the limitations of the rule of reason and with that discrimination which takes account of practical considerations and consequences. It has been applied, in fact, with emphatic disregard of those limitations and of that discrimination.

At one fell swoop our system of taxation which had been in force practically since the beginning of the Federal Government, was utterly revolutionized. Direct taxation was raised suddenly and in a manner unequaled and unprecedented in any other country, from a small fraction to approximately 80 per cent of our total revenue. It was a measure of economic violence which the conditions and exigencies of the war explained, even though it was only partly warranted. To keep in continuance, after the war, its underlying theory with but inadequate modifications, was bound to lead to an intensity of economic trouble and maladjustment corresponding to the degree of its violence.

All just and enlightened men do want and must want to be guided, in matters of taxation as in all others, by regard for the dictates of social justice; they do and must

want to see sincere and sympathetic heed given to the requirements of the utmost consideration for the welfare of those of small and moderate means. But, surely, it has been demonstrated over and over again that, in order to further the best interests of the people at large, action must be based upon sober appraisal of effects, upon the lessons of practical experience and the teachings of history and economics, and that desirable and lastingly beneficial results cannot be attained by policies and methods which emanate from, and bear resemblance to, the temper and spirit of the plausible stump speaker.

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A good deal may be said for the contention that, right or wrong, the theory of taxation inaugurated in 1917 was in accord with the then prevailing popular sentiment, and had to be given a trial. I am inclined to agree with that contention, but I do not agree that the satisfaction of popular sentiment required that, in applying that theory, we go to the extreme to which, under the whip and spur of the radicals, Congress did go.

The composite thought of the American people does not run to extremes.

Economic blundering hurts the masses most.

At any rate, the innovation of 1917 has now had a trial of more than four years. We have seen the theory applied in practice for a length of time amply sufficient to test it out. The result is writ large in effects hampering and troubling to the nation and burdensome to all, but particularly to those who were intended to be beneficiaries of that theory, *i.e.*, the plain people.

It is an old and sad truth that the effect of economic blundering by governments is always felt most by those least able to protect themselves.

The principles of the revenue measure of 1917, reenacted essentially unchanged for 1918 and 1919, and not modified to any adequate degree in the measure of

1921, stand disclosed as breeders of harm to all the people, by the inexorable test of actual experience.

It is a measure unscientific, inequitable in its operation, cumbersome, vexatious, and intolerably complex. It bears the imprint of class and sectional discrimination. It penalizes thrift and industry, but leaves the wastrel and shirker untouched. It discourages, disturbs, and impedes business, and places the American business man at a disadvantage as against his European competitor in the markets of the world. It tends to curtail production, it halts enterprise, it diminishes the demand for labor, it restrains consumption, it makes for higher costs. Its effects depress agriculture. It facilitates governmental extravagance. It impairs largely the incentive to effort and to self-denial and saving.

It hampers and intercepts and deflects the vitalizing flow of capital. It depletes the necessary cash working fund of industry and stands in the way of that accumulation of new capital which is indispensably requisite for development. It has shoved a clumsy hand into the delicately adjusted organization of our commerce and industry. In short, it is bound to interfere, has interfered, and does interfere gravely, and in many ways, direct and indirect, with the needs and the attainments and the prosperity and progress of the country.

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Governmental greed, just like private greed, is apt to overreach itself. Many transactions on which those concerned would willingly pay a moderate tax are now simply being laid aside and not effected at all because of the intolerable taxation to which they would be subjected. Others are being concluded in an artificial, roundabout, unsatisfactory way so as to avoid the full burden of the tax. The result in either case is a loss of revenue to the Government and an impediment to business.

I have personally no doubt that surtaxes imposed at a reasonable rate would produce a larger revenue than do the excessive rates now in existence. As the rate of surtaxes is lowered, the aggregate amount of income subjecting itself to taxation will be largely increased. A decrease in rates will bring an increase in volume.

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There are two kinds of savings or accumulations. They arise from different sources and are put, generally speaking, to different uses.

The first kind is small individual savings.

It is the distinguishing characteristic of our income tax, wherein it differs from the system prevailing in all other countries using income taxation, that it does not rest on a basis of the broadest kind. Our tax applicable to small incomes, say up to four thousand dollars, is almost negligible. The rate of our "normal tax" is less than a quarter of what it is in England. The minimum income totally exempt from taxation is fixed at a far more liberal figure here than in England or in any other of the leading countries.

On the other hand, our surtaxes are higher than anywhere else. The emphasis of our income tax is not, as it is elsewhere, on the broadly collected normal tax but on the surtaxes, collected from a relatively small number.

10 per cent of citizens pay 85 per cent of income and surtaxes.

Investigation has demonstrated that of the total income of the nation nearly nine-tenths goes to those with annual incomes of five thousand dollars or less, leaving but slightly more than 10 per cent of the national income allocated among those with annual incomes exceeding five thousand dollars. In the face of this, the last published report of the Treasury Department shows that those with annual incomes up to five thousand dollars (receiving as they do nearly 90 per cent of the national income) pay altogether approximately 15 per cent of the

total sum collected in income taxes and surtaxes; while those with annual incomes above five thousand dollars (receiving 10 per cent of the national income) pay about 85 per cent of the total sum so collected.

The small individual savings, to which I have referred above, take the shape mainly of deposits with savings banks, building and other fraternal societies, life insurance companies, and of late years, to a certain extent, of investments in high-interest-bearing bonds. These savings also provide, unfortunately, the principal portion of the livelihood of the "get-rich-quick" promoter.

The pioneering part of country's working fund.

The second kind of savings is the accumulations by the well-to-do and by corporations. They are, and ought to be, in the main, the risk-taking, venturing, pioneering part of the country's working fund. They provide the bulk of the capital for such enterprises as cannot be financed by fixed-interest-bearing investment securities (because of the absence of the element of tested earning power and assured safety) or by bank credits.

That kind of savings has been vitally affected by the surtaxes.

Small mass-savings, the wide practice of thrift, are, of course, eminently to be desired, and in an old, settled, fully developed country, such as the classical land of small savings, France, go a long way, by themselves, to serve adequately the nation's essential economic purposes and needs. In a new country, however, such as ours, a country still in the growing period of youth, a land of boundless opportunities and possibilities, they must be largely supplemented by that kind of accumulation, by that eagerness for industrial adventure, which, for the time being, have been benumbed by the effects of ill-contrived taxation.

Indeed, except in so far as taxes were shifted or passed on, the feasibility of that kind of accumulation has been in a great measure destroyed by the operation, direct or

indirect, of such taxation. To the extent that it was enabled to survive, it has been largely diverted from its proper and useful functions because the incentive to venturing and risk-taking and to the utilization of the ordinary avenues of investment has been so largely eliminated.

The adherents of the policy of very high surtaxes base their attitude professedly on the commendable desire to promote the welfare of the less well-to-do. Yet a little reflection will show—as, in fact, the past five years have shown convincingly—that such surtaxes inevitably fortify the advantage of existing wealth, as against the newcomer, diminish the springing up of competition, and handicap those who start with little.

Within the past five years there has been a very noticeable slackening in the starting of new and independent ventures.

Heretofore the eager, imaginative, venturesome fellow who, starting with nothing, would boldly set out to climb the pole of success and more frequently than in any other country on earth would reach the top, was a welcome, picturesque and characteristic figure in American life. There is just as much room on top as there ever was in America; indeed, I think there is more room than ever before. But access to the top has been made immensely more difficult to the would-be climber because the pole is now *greased*. The substance of the stuff with which it has been greased is called "excessive surtaxes." Those who have applied that impeding stuff and who stand in the way of its being rubbed off, are the very men who profess to be—and, I believe, sincerely mean to be—the particular friends of the plain man.

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Free flow of capital vital.

The free flow of capital, the reasonably normal working of the machinery which supplies the funds for the country's trade and industry, are absolutely basic elements for prosperity. The effect of their disturbance to

any serious degree for any length of time is all-pervading, even though the way in which that effect is produced and operates is not always apparent to the casual observer who is apt to seek elsewhere for the causes of the resulting disturbance.

Every industrial activity, including that of farming, is affected more or less profoundly by that manifold and subtle interference with the normal processes of accumulation and usage of funds, which is the concomitant of excessive surtaxes.

The measure of accumulation of surplus which is absolutely indispensable for the conduct and due expansion of the country's work and business, is prevented by the existing taxation all the more effectively, as business men, of necessity, have only a limited amount of their capital in the form of liquid or quickly realizable assets, and it is just these assets which are absorbed by taxation.

As Mr. Henry Ford has explained in a recent interview, he could not possibly have gone on improving his methods, enlarging his instruments of production, cheapening the cost of his output, if in the early stages of the development of his undertaking he had been obliged to pay the larger part of his cash resources to the government in taxes.

Taxes must be paid in cash. You cannot pay them in materials or merchandise or bills receivable or book assets. But while the outgo in taxes payable to the Government is all cash, the income of most businesses is cash only to a limited extent.

Two stages of economic disturbance.

If men engaged in industry cannot accumulate adequate working capital, using for that purpose the results of individual thrift and foresight, *i.e.*, their surplus earnings from year to year—if such earnings are appropriated to an undue extent by the Government, the result is bound to express itself in two stages of economic disturbance.

The first stage is a scramble for loans and credits in

such volume as to bring about a dangerous and harmful strain and a severe stringency of bank and investment funds, particularly troublesome in its effect upon the smaller and less well-placed borrower.

The second stage is a collapse in trade, a corresponding reduction in production, consumption, and employment, forced liquidation, and a sudden, violent, and ill-proportioned shrinkage in values. An accompanying and, in a sense, deceptive feature of that second stage is a relative abundance of credit and loan funds and an easing of money rates.

For reasons of both a psychological and an economic character, it has always been, and inevitably and logically must be, one of the effects of a serious industrial recession that a flow of funds is set free. Indeed, so strong is that flow and so compelling the impulse which sets it in motion that, for the time being, *i.e.*, pending a return to normal industrial activity, it has largely mitigated the effect of excessively high surtaxes on the money and investment market. But that effect is certain to become operative again when full industrial activity returns, unless our surtax rates are reduced to a more reasonable level in the meantime.

Tax burden clumsily placed.

For many years prior to the war, America's development proceeded by leaps and bounds, and the people prospered under a scheme of taxation which sat so lightly on everybody that the subject of taxation was one of but slight general concern. If taxation has now become one of our major problems, a matter of universal complaint, unceasing discussion, and grave burdensomeness, the reason is to be found not so much in the increased revenue requirements arising from the war—for these requirements, while heavy as compared with the past, are well within the country's capacity to bear, if wisely ordered, and are, in fact, relatively moderate as contrasted with the fiscal burdens resting on the principal nations of

Europe. Rather is the reason to be found in the stubborn adherence to a faulty system and ill-judged methods of taxation.

I am in full accord with the principle of a progressive income tax, believing it, as I do, to be economically sound and socially called for. But there is a limit beyond which such taxation cannot go without absorbing so large a proportion of the nation's liquid capital and so draining and driving it away from its normal channels and fructifying activities, as to bring about that hurtful strain and derangement which we have seen exemplified in the last two years, and which will continue to trouble us to a greater or lesser degree until we resolutely remedy the cause.

I received recently a letter from an officer of one of the leading mortgage companies, containing the following sentence eloquently illustrative of some of the effects of excessive surtaxes:

"In three years, our company has had to repay more than one hundred million dollars of mortgages, which in the past we had placed among investors. Inquiry elicited the fact that 90 per cent of these mortgages were called because of the surtaxes."

The Secretary of the Advisory Council of Real Estate Interests of the City of New York has testified that: "The withdrawals from mortgage investments in real property in the Borough of Manhattan alone during the first six months of 1920 amount to approximately eighty-three million dollars net."

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Reasonable balance between direct and indirect taxation.

The wisdom and necessity of preserving a reasonable balance between direct and indirect taxation stand clearly revealed by the troublous results which the extreme application of direct taxation has produced for all the people.

For a country as immensely rich and intrinsically as

little burdened, relatively speaking, as ours, it is not really a hard problem to raise by taxation the sum which the economical administration of our Government requires.

The alternative is not to burden unduly either business or the masses of the people. The idea is not, and ought not to be, to relieve the former at the expense of the latter. The end that should and can be attained by proceeding wisely and in recognition of the fact which experience has demonstrated unmistakably, is to disencumber both business and the masses of the people.

Everyone who has ever had to carry a heavy load knows that the secret of bearing it with relative ease lies in the way in which it is adjusted. Our tax burden is grossly maladjusted. By rearranging it, we shall vastly lighten the pressure upon the backs of the American people.

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It is instructive to compare our surtaxes with those prevailing in England, a country no less democratic than ours, and admittedly, among all the peoples, the nation most experienced, wisest and soundest in the ordering of her public finances.

England raises by taxation approximately one billion pounds, equal, at the present rate of exchange, to something over four billion dollars, but actually, comparing the domestic purchasing power of the pound sterling to that of the dollar, equal to considerably more than five billion dollars. Our requirements to be met by taxation are but little in excess of three billion dollars. We have twice the population and, probably three times the national wealth of England. Yet, we resort to far higher surtaxes than England.

Industrialism or state socialism.

Our maximum surtax rate, even after the recently enacted revision, is still 50 per cent, to which must be added the "normal" Federal income tax and, in many

instances, the State income tax. The maximum surtax rate in England is 30 per cent.

True, England's normal income tax rate is 30 per cent —with certain allowances on small incomes—while our *normal* tax is 4 per cent on the first four thousand dollars of taxable income, and 8 per cent on incomes above that amount. But that fact does not weaken, indeed it rather strengthens, the principal point of the comparison. Moreover, the English income tax is less sweeping in its application than ours. For instance, contrary to our practice, *profits* made by a person otherwise than in his regular trade are not subject to income tax or supertax at all in England, thus encouraging the spirit and practice of pioneering, venturing, and development.

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There are only two ways in which the working fund and the energy needed for the conduct of the nation's industries can be provided. The first one is to give free scope to individual initiative, enterprise, and responsibility, subject to reasonable control and to the watchfulness of public opinion, and to stimulate men to effort, to thrift, and to self-denial, by the incentive of reward.

Under that system, the leading nations of the world, and especially this country, prior to the war, had arrived at a condition which, though still far from giving ground for complacent self-approbation, did offer to the masses of the people an aggregate of more widely diffused prosperity, fairer opportunity, better living conditions, and a greater share in the comforts of life than ever had been attained before.

The second way is to look to the State as the universal dispenser and provider and regulator.

That is Socialism, or, in its more thoroughgoing manifestation, Communism, as eloquently exemplified in Soviet Russia.

It is impossible for the method of individualism, on which our economic, social, and political system is based, to function adequately if both the growth of capital resources needed for industry, and the reward of effort and risk, continue lastingly to be curtailed as drastically as they are curtailed under the existing scheme of taxation. The two things and aims are simply not reconcilable.

The whole theory, never, prior to the war, tried in practice or countenanced by public opinion, of levying huge toll on the usufruct of capital and the material reward of energy, ability, and enterprise, is not workable. The conception of piling enormous taxes on the top in the expectation that they will not percolate downward, is fallacious.

In this, as in other matters, we are face to face with the necessity of making our choice between the theory and practice of individualism, ever adapting it to the changing needs and the social progress of the day, but retaining its tested and solid basis, and the theory and practice of socialism, near-socialism, communism and kindred creeds, by whatever name they may be called.

If that is the issue, let us face it and let us welcome the opportunity of having it determined. If a majority of the people want to cut away the ship of the State from its ancient moorings, if they want to hazard the vast risk of essentially modifying that system under which this nation, the envy of the world, has attained greater and more widely diffused prosperity and a more open door to opportunity than exists anywhere else, let them so pronounce, let us all know it and let us be guided accordingly for good or ill.

But let not that fateful result be brought about by indirection, without full popular apprehension of its meaning and purport, by stealth, so to speak, in connection with the extraneous matter of tax revision. If a

test is to be made whether the people want to alter the fundamental economic and social conceptions upon which the structure of America has been reared, let it be decided as the overshadowing issue which it is, as the controlling issue of an election, after full, free, nation-wide discussion. I have no fear of the choice which the people will make.

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The views which I have expressed with respect to extreme surtaxes hold good equally with respect to unduly high inheritance taxes.

I look upon inheritance taxation, *within reasonable limits,* as economically sound and socially just; but as a general proposition and in normal times, it would seem to me logical and right that inheritance taxation should be left principally, or perhaps even wholly, for the use, not of the Federal Government, but of the States, many of which under existing circumstances do not find it easy to devise suitable means for raising adequate revenue.

It is greatly to be desired that the States develop a salutary and mutually stimulating rivalry along various lines of usefulness for the people, in those functions which properly belong, and originally were meant to belong, to the States and which can be accomplished by them to better effect and advantage than by the Federal Government. To be enabled to do that, the States should have access to ampler revenues than they now possess, or can obtain, when practically every source of direct taxation is so largely appropriated by Washington.

Furthermore, it seems to me that the rate at which inheritance taxation is applied ought to be determined not by the aggregate of the estate, but by the size of the distributive shares. Under the present Federal system, an estate bequeathed to one single descendant is taxed at the same rate as an estate divided among, say, six descendants. That is manifestly incongruous, and in con-

flict with the theory pursuant to which a graduated scale of rates has been established.

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Some aspects of inheritance taxation.

On the general subject of the theory of inheritance taxation, the reflection should not be lost sight of that, to a certain degree, such taxation, in its very nature, has the economic ill-effect of impairing, or sometimes even destroying, that which a lifetime of individual effort and planning has created. Values and assets thus impaired or destroyed must be recreated, else production must fall behind.

That means a duplication of work for each generation, a waste of national energy, and thus a loss to the community.

Another ill-effect inherent in the present practice of inheritance taxation is that by such taxation a portion of the *capital fund* of the nation is transferred into the coffers of the Government, and by it used for operating expenses. That is a fundamental breach of the laws of sound corporate administration.

In the long run, unless the rate of inheritance taxation is kept within moderate limits, the effect is bound to be akin, in impairing the necessary cash working funds of industry (and, incidentally, in diminishing the productivity of the tax itself), to the operation of excessive surtaxes.

Thrift penalized, wastrels untouched.

Moreover, there is inevitably present in inheritance taxation that element of social undesirability and of unfairness, which consists in leaving entirely untouched the wastrel who never laid by a cent in his life, and penalizing him who has practiced industry, thrift, and self-denial.

It is a well-known fact that one of the most powerful inducements for men to work and save and spend themselves in effort, is the thought of those whom they will leave behind, and the desire for the perpetuation of that

which they have built up. If that inducement is too greatly reduced, it is open at least to serious question in what degree effort and thrift will be diminished, self-denial be displaced by self-indulgence, and one of the strongest driving forces attenuated, which has been hitherto among those elements that make the wheels of the world's activities go round.

One fundamental incentive for material progress.

The privilege of handing down property by will is an essential part of the price which, through many centuries, the community has found it well and useful to pay as an incentive for men to work to the full measure of their capacities, as an inducement to save and to build up, and from other motives of even more fundamental import. And if the result is tested by the material progress and enhanced productivity of the world and the increased well-being of the people, it appears worth the price. At least, no other means has yet been invented and stood the test of practical working, which can be relied upon to produce the same result.

The easy assumption in certain quarters that inheritance taxation on large fortunes ought to be made so heavy as practically to abolish the bequeathing of wealth to descendants and to start everybody in the race of life more or less on the basis of financial equality, overlooks fundamental and unchangeable facts.

This entire matter of inheritance taxation, which on the surface seems so simple and non-controversial and is so appealing to one's natural sense of justice, has, in fact, manifold and complex and far-reaching repercussions, but it would exceed the bounds of this discourse for me to enter into a consideration of the subject beyond the cursory observations contained in the foregoing paragraphs.

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For restoring normal conditions.

To come now to concrete conclusions, I am clear in my mind that in order to restore "normalcy" to our eco-

nomic life and industrial activities, our surtaxes should promptly be reduced to the figure courageously recommended and convincingly advocated by the Secretary of the Treasury in his latest report to Congress, namely, a *maximum* rate which, including the normal tax, does not exceed 33 per cent.

But, granted that Congress will come to see the wisdom of such a reduction, and, indeed, in the long run, its necessity, it is inconceivable from the point of view of practical politics that it will be adopted without a simultaneous reduction of the normal tax and a downward revision of the entire scale of surtaxes. While, as I have said before, a reduction of the highest surtax "brackets" by themselves would not mean, in my judgment, a diminution of the yield (because, as the rate is lowered, the aggregate amount of income to which surtaxes apply will increase), a downward revision of the whole structure of normal taxes and surtaxes would doubtless result in a reduction of the revenue derived from that source.

Therefore, we must look for a new source which can be tapped in order to make up for that deficiency, to the extent that the needs of the Government under economical administration so require. I know of none which offers so many advantages and is so free from objections as the so-called sales or turnover tax.

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I first suggested a tax of that nature in a pamphlet which I wrote in the early summer of 1917. The suggestion met with little encouragement, either in business or in political circles.

I knew then, as has since been amply demonstrated, that, as a matter of fact, the excess profits tax and the high surtaxes would have the effect of enhancing costs to an extent far more burdensome to the people than a trifling sales tax could possibly do, but I felt that I

should be a voice crying in the wilderness, and moreover, a jarring voice to public opinion as it then was, and so I concluded to hold my peace, at least in public.

Since then, wholly on its own merits, without adequately organized support, the sales tax has become a center of discussion. While it still meets with much opposition and is confronted with strong prejudice (for reasons which, however sincerely entertained and entitled to respect, are in my opinion based on erroneous assumptions), and while it is particularly anathema to the representatives of labor unions and farmers' organizations, the arguments for, and advantages of, the sales tax have come to be understood and appreciated in wide circles.

Sales tax widely advocated.

The Democratic candidate for the Presidency in the last campaign pronounced himself in favor of it. Men high in the councils of the Republican Party have endorsed it.

Newspapers of such divergent tendencies as the New York *Times* and the New York *American* have given it their adherence and support. Every recent test has shown that the great majority of the business men throughout the country—and I do not mean primarily "big business," which indeed has rather been hanging back, but the rank and file—have become converted to the sales tax, and advocate its adoption.

Personally, I believe that if and when the people have once become acquainted with its simplicity, productivity, and "painlessness," it will be recognized for what it is, an ideal means of raising revenue, and will become a permanent feature of our fiscal system.

So much has been written and spoken on this subject of late that I shall not attempt on this occasion to explain or defend the sales tax with detailed or exhaustive arguments, but shall confine myself to the following summary points:

(1) The sales tax is not an untried thing. It is in successful operation at our very door, in Canada; likewise in the Philippines, and elsewhere. We have a crude and unscientific form of it here in the shape of certain specific taxes, most—if not all—of which could easily be absorbed in a general and uniform sales tax.

(2) Conservative estimates have shown that a one per cent tax, on sales of commodities only, exempting initial sales of farm crops and live stock, and also exempting annual turnovers up to six thousand dollars, would produce for, say the next twelve-months' period, approximately one and a quarter billion dollars.

Unfair "pyramiding" can be prevented.

(3) Careful calculations have demonstrated that adding a one per cent tax upon each stage of manufacture from the original producer of the raw material to the ultimate consumer of the finished article will average an addition to final costs of not more than three per cent.* That is assuredly less than the addition to final costs which the public now pays through the existing practice of shifting taxes by "loading" prices in a more or less haphazard way. The incidence and amount of the sales tax can be so plainly traced in each transaction as to prevent its being used for unfairly pyramiding or "loading" prices.

* It is a widespread assumption that because in many instances there are from six to ten stages of manufacture between the original producer and the ultimate consumer, therefore in such cases a one per cent sales tax would aggregate from 6 per cent to 10 per cent upon the cost of the finished article. It will readily be seen that this assumption rests upon the error of failing to appreciate that the value of an article, or of the materials entering into it, is less in the intermediate stages of manufacture than at the final stage, and that the sales tax *applies to the value only at each stage.* Thus, for instance, it has been figured out by Mr. William Goldman of New York (as quoted in a pamphlet on The Sales Tax issued by Mr. Hazen J. Burton of Minneapolis) that, beginning with the raw wool, seven stages of manufacture enter into the making of a suit of men's clothing, but that, taking the case of a suit designed to sell at retail for sixty dollars, a one per cent sales tax would aggregate in the end *not* seven times one per cent on sixty dollars, *i.e.,* $4.20, but only $1.57, *i.e.,* 2.61 per cent on the retail price of the finished article.

(4) The argument is often heard that the sales tax would benefit large combinations controlling several phases of the manufacture of their product, from raw material to the finished or semi-finished article, as against smaller corporations or the individual handling only one process of manufacture. To the extent that this argument rests on any substantial basis of fact, which I do not believe, it can be met by appropriate provisions, making the tax applicable to each one of the principal stages of manufacture, in cases where these processes are combined in, or controlled by, one corporation.

Sales tax practically collects itself.

(5) The sales tax practically collects itself. It needs no host of chartered accountants to advise the taxpayer as to the making of his return, it needs no inquisitorial processes and no army of officials. The Canadian Minister of Finance is reported to have stated recently that the sales tax in that country was administered smoothly and satisfactorily by forty Government employees.

(6) After careful study and comparison of views, I am satisfied that the various practical and other objections which have been brought forward by fair critics of the sales tax, to the extent that these objections have validity, can all be taken care of by suitable provisions of the enactment.

Exactly what shape and scope a sales tax should have, has been a matter of considerable discussion among those who favor such a tax. The predominant view, which I share, is that it should not be a tax on retail sales only, for various reasons, one of them being that a simple, certain and workable definition of what constitutes a retail sale seems to defy the resources of phraseology. Personally, after much reflection on the pros and cons of the different forms of a sales tax, I am in accord with what appears to be the majority of those advocating a sales tax, in favoring a tax (at a very low rate) limited to commodities, and exempting initial sales of farm crops

and live stock and further exempting such turnovers as aggregate, annually, not exceeding six thousand dollars. (For the sake of simplicity and convenience, certain other minor exemptions at the last stage of the selling process, *i.e.,* selling to the public, might be found advisable.) The rate of the tax should certainly not be above one per cent; I should, indeed, prefer one-half of one per cent for the present.

Merely a fair trial asked for.

All I am advocating is that a fair trial be given to the principle of a well-conceived sales or turnover tax, so as to test it in actual practice.

In the matter of raising by taxation the amounts required as a legacy of the war, we are dealing with a problem which is largely new and in which we have little precedent to guide us.

Whether we agree or not as to the extent of the evils flowing from the taxation now in force, it will, I suppose, be admitted universally that the present system is more or less of a makeshift and susceptible of improvement. Therefore, is it not a plainly warranted suggestion that we should all approach this complex subject with sufficiently open minds to undertake some reasonable and circumspect experimenting in order to see what works out best?

No complex and cumbersome machinery is required to bring the sales tax into operation. Should it not prove satisfactory to public opinion, contrary to my expectation, after having been in effect for a sufficient length of time to test its working, it is a very simple thing to abolish it.

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I realize that some of the things I have said on the subject of taxation, coming from the lips of a denizen of Wall Street, are apt to fall jarringly on ears which they may reach outside of this gathering, and lend themselves to the interpretation of springing from selfish bias.

Reason and moderation must guide.

My defense is that I thoroughly believe these things to be true, and that everyone who endeavors to aid, in good faith, toward ascertaining the real facts and bringing them before the forum of public opinion, as against the mirages of ignorance, prejudice, and demagoguery, is usefully engaged and should receive unprejudiced hearing, whatever his occupation or station in life.

I yield to no one in my desire to see brought about the greatest attainable measure of well-being for all the people. I recognize to the full the obligations and duties, material and moral, resting upon those to whom success has come. I would not willingly or knowingly place any burden on shoulders already bent under the daily strain of meagerly remunerated toil. On the contrary, I would join gladly in every effort, movement, or enactment, consistent with reason, experience, and sane recognition of the realities of things, to make life more than ever worth living to the rank and file of Americans, to augment the opportunities and the happiness of the mass of the people, and to enhance their share of ease and comfort.

Bungling taxation of capital and industry detrimental to all classes.

But I am entirely convinced that crushing and bungling taxation of capital and industry is not the way to accomplish that result. I believe, on the contrary, such a defiance of reason and moderation and economic law is bound to redound to the detriment of all the people, and I believe further that unless and until the errors of our taxation policy are remedied, America will fail in attaining that degree of prosperity, and accomplishing that measure of general well-being, which are open to a nation in whose domain abounding natural resources are coupled with racial qualities that in the past have found conspicuous expression in zest for work, daring enterprise and broad-gauged achievement.

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What, then, can we do toward helping to deal wisely and soundly and in a way most conducive to the common

weal, with the economic problems that confront the nation? To rail at Congress, to throw bricks at the agricultural bloc, to pass stately resolutions, accomplishes no useful result. To meet at dinners and banquets, where those whose occupations and views are generally alike tell their ideas to one another, may be pleasant enough, but I venture to doubt the efficacy of such gatherings as affecting public opinion.

Educational campaign needed.

I should be hopeful of a good deal more usefulness from meetings in which those of differing stations, callings and viewpoints sat down together for a frank interchange of opinions. And I sometimes speculate upon the thesis of how much of public value could be accomplished if even a fraction of the amount now spent on public or semi-public "speech-making" dinners of the conventional kind (and that amount aggregates an amazing total) were devoted to the purpose of bringing the beliefs, aims, and arguments of the business community before the people at large, in an effective way.

If we believe—as I most earnestly do—that the views which we hold on the subject of taxation and other economic questions are more nearly right, and their carrying into effect more beneficial to the country, than those which are advocated by others, and some of which have found expression in the acts of Congress, our remedy is to start an intensive "campaign of distribution" of these views.

Effective distribution is one of the secrets of success. Whether it be items of information, ideas, political views, inventions, or whether it be stocks or bonds or crops or manufactured articles, their value only becomes realized when they are distributed among the people.

The methods of the wise, experienced, and trustworthy salesman are the instrumentalities needed to launch the wares of our convictions upon the great market of public opinion. If they are better wares than those which our

competitors in that market have to offer, they will prevail.

Ideas must be pushed and advertised.

But even the best of wares do not sell themselves. They must be pushed and advertised to make a place for themselves, especially when their value is less in their tempting appearance than in their solid substance and their tested wearing qualities, and when they are matched against loudly, persistently, skillfully, and not always too scrupulously, advertised goods of a more showy kind.

Our campaign of distribution of the wares for which we desire to secure the patronage of the people must be characterized not only by skill, energy, patience, and persistency but also by the elements of good will, human sympathy, fairness, consideration for differing viewpoints, and above all, sincerity. It is worse than useless in the long run to attempt to palm spurious goods upon the people, and it is the mark of the unskillful salesman to try to sell his wares by blackguarding his competitor and unjustly disparaging rival merchandise.

And it is not so much the middleman, *i.e.,* the politician, whom we must seek to reach and convince (though his coöperation is, of course, greatly to be desired), as his constituents, the ultimate consumers, *i.e.,* the people. I have complete faith in the sound common sense and the right-mindedness of the American people. When the pros and cons of a proposition have been set before them fully and frankly, the great majority of the plain people can be trusted to form right conclusions and to reject fallacies, however appealing and plausible.

Public can be trusted to form sound conclusions.

Too often, it seems to me, the integrity, the discernment, and the essential moderation of the collective mind of the people is underestimated by those in political life or seeking to enter it. I have frequently wondered at the tendency of so many politicians to seek popular favor by flattery and pliancy and an obsequious "ear to the ground" attitude, when all experience has shown that the

royal road to the lasting allegiance of the people leads along the heights of their respect and confidence, to be attained by independence, moral courage, intellectual honesty, and broad-gauged performance.

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In sounding the call for a campaign of distribution of views which we believe to be sound and making for the welfare of the country, I have in mind not merely the problem of taxation, important and urgent though it is, but matters even more fundamental.

We have passed through a period of severe depression and, while we are warranted in believing that the worst is behind us, we have not yet emerged to satisfactory conditions. Grave maladjustment still exists. The volume and the results of industry are still greatly below normal. Our export trade has shrunk severely. Much unemployment is still with us. The great and vital industry of agriculture is still in the throes of serious distress, intensified by the fact that the things which the farmer needs and must pay for have not declined in price to anything like the extent to which those things have declined which he produces.

In order to accelerate our emergence into the light of prosperity, the order of the day must be coöperation, mutual helpfulness, and respect for one another's viewpoints and legitimate claims. Let us so think and act that the farmer will learn to overcome the prejudice which makes the name of Wall Street to him synonymous with oppression, obstruction, and antagonism to his interests and needs.

Most of the proposals of the leading and responsible spokesmen of the farming community, as far as they relate to securing generally better conditions and instrumentalities for the conduct of their industry, appear to me reasonable and justified by the circumstances, as I understand their program and their problems.

Let Wall Street try to help them secure such conditions, and put its business experience at their disposal to solve their problems. On the other hand, let us point out to the farmer that he has been misinformed or insufficiently informed in certain matters relating to business and economics, and let us ask him and his leaders to reconsider their position and to cease from denying to us needed relief and from pursuing policies which do him no good and do us harm, and, indeed, by virtue of the interdependence of all sections and callings, do him harm likewise.

Wall Street should co-operate in solving farming problems.

Let us give enlightened and sympathetic thought and understanding to the problems besetting the workingman. I know it will be very difficult to get his confidence, but at least we can so act as to merit it. As employers, let us bear in mind that it is in our best interest, even from the merely selfish point of view, not to pay the lowest wages to which labor can be squeezed down, but rather the highest wages compatible with the successful maintenance of the country's business and with a reasonable level of prices to the consumer.

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It is a fact well attested by history, in our own country and elsewhere, that out of the stagnation of serious and long-continued industrial depression springs the poison-growth of economic delusion. And there come forth in such times a number of those who mistake that harmful growth for a healing plant, incited to that belief, or encouraged therein, by leaders who are self-deceived, or deliberately bent on deceiving to serve their own ends. By the admixture of the ingredients of ignorance and emotional "cocksureness" together with the deleterious substances of envy and demagoguery, fantastic things are concocted and offered to the people as remedies, when, in fact, they are as blinding and maiming as wood alcohol.

Economic delusions *vs.* true remedies.

It is characteristic of such periods that there are brought to the public notice, loudly and fervently, sundry cure-alls for the ills of the day which their discoverers proclaim—and often honestly believe—to be new and unfailing remedies but which, as a matter of fact, are hoary with age, having been tried on this old globe of ours, at one time or another, in one of its parts or another—tried and found wanting and discarded after sad disillusionment.

Nothing in history is more pathetic than the record of the instances when one or another of the peoples of the world rejoicingly followed a new lead which it was promised and fondly believed would bring that nation to freedom and plenty and happiness, only to find itself, instead, suddenly on the old and only too well trodden lane which goes through suffering and turmoil to disappointment and reaction.

We may not flatter ourselves with the hope that the present period will prove an exception. A philosopher has said that the greatest lesson of history is that humankind refuses to learn, and heed, the lessons of history. Once more, the raucous voices of the promoters of economic, social, and political quackeries and of the vendors of tickets to Utopia are being heard in the land. Even the dead bones of greenbackism and fiat money are being taken from their unhallowed resting-places and an effort is being made to breathe life again into their skeletons.

How to meet fallacies and misinformation.

We must not put our heads into the sand in the face of these menacing signs of the times, nor must we be in fear of them, or permit ourselves to be unduly wrought up. We cannot meet them by blunt denials or by calling hard names. Social and political economics, the functions of capital, the problems of trade, and so forth, are complex and difficult subjects. They lend themselves all

too easily to fallacies, misinformation, and misinterpretation.

It is one of the proper and indeed necessary functions of organizations of business men to aid in spreading true information on such matters among the people, to give facts and figures and reasons, to justify and explain, and to meet destructive agitation, whether of the scheming demagogue or of the well-meaning Utopianist, on its own ground of propaganda.

We must seek to counteract false or irresponsible or ignorant assertion with plain, patient, and truthful explanation, but we must be sure to keep our own minds open to the merit of new ideas, we must be ready to welcome progress, we must do our share, in good faith and willingly, to redress grievances and to aid in bringing about the greatest attainable degree of well-being for all the people.

If we fail to play our part in contending for the right, we have no just title to complain if things go wrong.

IMMEDIATE ISSUES *

IT has been often said, and it is wholly true, that there have been changes more fundamental in the mode of living of the world in the last seventy-five years than in the preceding two thousand years.

Life has become more complex.

From the time that the conception and the fact of space and distance came to be radically modified by the railroad, the telegraph and the steamship, and that the industrial processes and conditions became revolutionized by the advent of the machine, things have rushed upon humankind which have made life fuller and quicker and infinitely more complex.

To the vast and unprecedented change from age-long habits and practices, thus brought about with almost unthinkable rapidity, the world has not yet adjusted itself fully. Least of all, in the system and methods of government.

In the midst of these fundamental changes, of immense material progress, of unparalleled advances in the field of science, the system and methods of government have undergone relatively very little modification from what they were in the pre-machine period.

To the extent that there have been modifications, the question more and more obtrudes itself whether, especially of late years, that way has been followed which is best calculated to lead to the greatest attainable degree of happiness and well-being for all the people and to the furtherance of those things which are in truth most worth while.

* An address delivered at Barnard College, New York City, on December 12, 1922.

Political and economic problems of the past not akin to those of today.

The problems, political, social and economic, of the past are not akin, in many respects, to the problems of the day. Thus, for instance, the time when there was reason to fear, and to guard against, the preponderance or abuse of kingly power—an element which has largely influenced most of the existing systems of government—has gone, probably never to return. It seems a fair question whether the pendulum has not swung rather too far in the direction of laming the effectiveness of Government by too great a measure of parliamentary or direct popular functioning. Certainly, the world's need today is less to curb leaders than to create and encourage leaders and accord them scope for action.

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Are the prevailing methods of Government, more or less everywhere, methods which would be incompatible with the successful conduct of a business concern, nevertheless reasonably adapted to, or unavoidable in, dealing with public problems which nowadays are, and for a long time to come probably will be, mainly economic and social?

Does the existing system put a premium on glib talk and political cunning as against plain, prompt and efficient action? Does it tend to give undue influence and effect to vociferously dogmatic and virulently aggressive minorities? Has it so enmeshed us in a web of rules, minute details, red tape, log-rolling and interferences that inevitably in the affairs of Government the "native hue of resolution is sicklied o'er?"

More particularly, in this country with its huge size, its heterogeneous population, and the strongly diverging economic interests of different sections, do and can the methods of centralized and all-pervasive law-making and administrating from Washington, such as they have developed more and more in recent years and as they were neither intended nor countenanced by the makers of that

most admirable and justly revered of all political instruments, the American Constitution—do and can these methods yield results propitious, serviceable and satisfactory to the American people?

Does the outcome of the recent elections in our own country and in England (not to mention the popularly acclaimed advent of the Fascist rule in Italy), betoken a general dissatisfaction and disillusionment among the people with the functionings of the governmental machinery, and an intuitive conclusion that measures are called for, making for greater effectiveness, simplicity and sincerity of Government?

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I merely register these questions. I shall not attempt today to answer them. To do so would be to go much beyond the theme upon which you have asked me to speak.

I shall not seek to fathom fundamental causes and currents nor indulge in speculations thereon, but shall confine myself to discussing concrete and immediate problems confronting us.

I. The Farmer

The problem of the farmer.

Adversity has come upon the farmer as it has come, in a greater or lesser degree, upon every element in the community, in the painful process of post-war economic readjustment. But that wave of trouble struck the farmer first of all; perhaps, also, it struck him hardest; and under existing conditions he is, probably, the least able to protect himself and "get from under." From these and other causes, the farmer is gravely discontented and under a sense of grievance toward the existing order of things.

His is a toilsome calling at best, involving inevitable hardships and deprivations, and usually a poorly requited

one, indeed one of the least adequately remunerated among those which make up the sum total of the nation's activities.

The farming business is the largest in the country. The basic and vital necessity of the farming industry needs no emphasis. The immense social value of the farming class to the State is beyond argument.

The farming stock provides a continuous and essential supply of human raw material toward the preservation of the vigor and the distinctive characteristics of the American race.

The farmer finds himself in an intolerable situation.

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Pre-war income; post-war outgo.

With wages continuing on a high level, and in some cases wholly undeflated from the peak reached during war conditions, with the supply of labor greatly restricted through the operations of the Immigration Act, with taxes increased, with the cost of everything he buys much above the level of pre-war days, the farmer faces the fact that the dollar price of that which he produces and sells is no higher than it was before the war—if as high—and that the dollars which he receives in return for his toil have a greatly diminished purchasing power as compared to what it was formerly.

It is harmful and menacing to the commonwealth that so numerous and so valuable a portion of the population should feel discontented and resentful and be without prosperity. It must be recognized that the situation lends itself peculiarly to the incitements and wiles of the demagogue and to the plausible figments of the economic visionary or humbug.

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Danger of false remedies.

Unless reasonable and well-considered measures of alleviation are promptly enacted and sincere and earnest efforts are put into operation, within the limits of economic soundness and practicability, to accomplish the

object in view, the danger looms ahead that a large portion of the farming vote may succumb to the specious persuasiveness and the false promises of those offering relief through often disproved but ever resurging shams, delusions and heresies.

Indeed, that danger is upon us. Once more, as in the days of populism, the raucous voices of the fomenters of class and sectional animosity, of the promoters of economic, social and political quackeries, pervade the land and are finding all too many listeners.

If there is one calling which has a higher claim than another upon the helpful consideration of the State, it is that of the farmer.

The farmer's problem is part of our problem. The farmer's welfare is an essential part of our welfare.

There can be no lasting prosperity in trade and industry, unless the farmer is reasonably prosperous. There can be no stable and propitious conditions in the field of politics as long as the farmer harbors the resentful feeling that he is not accorded a square deal.

Both justice and self-interest demand of the community at large that every legitimate endeavor be put forth to the end that the farmer's grievances be redressed. If that redress can only be accomplished by methods which, while practicable and economically warrantable and promising to be effective, are novel and perhaps unpalatable to the established ways of business, then the less important will have to yield to the more important, i.e., business convenience and customs to the rehabilitation of the farming industry.

It is not sufficient answer to the farmer's complaint to refer him sternly to the rigid functioning of the law of supply and demand and to the doctrine of the survival of the fittest; because in reply he will contend that, in other respects, for reasons which seemed valid to Congress, we have not scrupled to interfere, through acts of

government and otherwise, with the untrammeled workings of that law and that doctrine, and he will and does claim that we either adhere to them strictly all round or give him the effective advantage of dispensations similar to those which have been granted in the case of other callings.

As to the argument that the adoption of measures sufficiently thorough-going to give real relief to the farmer might set a dangerous precedent, it seems to me that aversion against, or apprehension of, establishing a precedent is never a valid reason for failure to do that which is justly called for. I feel assured that we may rely—and, indeed, under a popular system of government we must rely—upon the soundness and watchfulness of public opinion to see to it that precedents are not harmfully misapplied or abused.

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Industrial prosperity depends upon agricultural prosperity.

More adequate financial facilities for the farmer, a better and more economical system of distribution, cooperative buying and marketing, satisfactory arrangements in the matter of storage and grading, a national policy which will tend to improve the market for our products of the soil, and other economically well-grounded measures of a helpful character, though diverging from conventional practices, can and should be realized.

But that realization will be greatly retarded, if not at least partially prevented, if the problem is not tackled with a common effort of good will and mutual understanding.

For business to rail at the "Farm Bloc" and to obstruct soundly conceived measures of legislation desired by spokesmen for the farming interests, and, on the other hand, for the farming communities to follow the lead of men who would angrily strike at business and ignore, or run counter to, economic law and experience, is not the way to attain useful results.

The way is to sit down together and by calm and well-meaning comparison of views diagnose the case, determine the causation of the trouble and act in unison in finding and applying antidotes for the present and preventive measures for the future.

Solution through consultation and collaboration.

Both the problem of the farmer and that of labor involve a careful and authoritative investigation of the question whether, and to what extent, waste has crept into the processes of distribution, whether unnecessary tolls are levied and whether the channels leading from the producer to the consumer are clogged by parasitic and obnoxious growths which ought to be removed.

Unfortunately, it has not been sufficiently recognized as yet by either party to how great an extent the welfare of business and of agriculture are interdependent. On the contrary, they have usually been at loggerheads and pulling in divergent directions, when, as a matter of fact, they are natural allies and both have much to gain from sympathetic understanding and coöperation.

II. The Tariff

The more or less good old days of "rule of thumb" tariff-making are over. The subject has become one of the greatest complexity, calling for particularly accurate and well-informed thinking, for a nation-wide viewpoint and for firm resistance to log-rolling methods.

The last election carried with it a popular mandate for the maintenance of the principle of a protective tariff. The Party in power means to see American industry safeguarded and the American standard of wages and living conditions upheld against cheap labor abroad and depreciated currencies. Yet, we are facing a fundamentally novel problem in the fact that within the last six years, for the first time in our history we have become a creditor nation, and at the same time, that our indus-

trial activities demand, to a greatly enhanced extent, the supplementary utilization of foreign markets.

We simply cannot maintain our trade with the world unless we enable adequate imports to take place. It is an exceedingly difficult problem, and we have no precedent to guide us, either here or abroad, because our present situation is unparalleled. We can only hope that our party leaders and legislators will realize that old formulæ no longer fit what has become a wholly new issue, and that the subject will receive deliberation and determination at their hands in a way commensurate with its far-reaching importance.

III. Capital—Labor

If there is one country which ought to be free from class animosity and conflict, it is the United States.

There is no class demarcation in this country. The workman of today is the employer of tomorrow. Most of our rich men and all but two or three of our very richest men started at the bottom of the ladder.

Nearly all the presidents of our railroads and the great majority of the presidents of our leading industrial concerns rose from the ranks.

Yet, the gulf between employer and employee though, fortunately, lessened in depth, remains unbridged, and conflicts are far too frequent.

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The problem of capital and labor.

It would be idle to look for a universal remedy to cure this state of things. Much can be done by the pressure of public opinion directed equally upon the "hard-boiled" employer and the truculently class-selfish labor leader.

The average American workingman is of no different human stuff from the rest of us. His are the same joys and sorrows, and the same fundamental morality. He is responsive to the same appeal.

He is subject, however, to a ceaseless and highly organized propaganda calculated at best to confirm and strengthen him in the feeling of class consciousness, but all too often aiming by insidious misrepresentation and plausible fallacies to poison his mind and lead him astray.

The way to meet this pernicious propaganda is for employers, individually and collectively, to take the pains to counteract it, both in word and deed.

That means not only patient and persistent work in explaining and elucidating, and in attacking social and economic heresies with the weapon of logic and of tested truth, it means likewise the exemplification, in fact, of fair and liberal dealing.

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Capital should be guided by the golden rule.

It means recognizing the human qualities of the worker. It means respecting his dignity. It means paying due heed to his legitimate requirements and making fair allowance even for his traditional and natural prejudices. It means stimulating his interest, giving him incentive, granting him his due say as to the conditions under which he works. It means fairly meeting the problems of sickness, unemployment and old age. It means, in one word, putting the human equation and the element of the golden rule into the relationship between employer and employee.

Labor is entitled, as a matter of course, to receive its fair share in the fruits of industry, not merely by way of an adequate return in wages, but by way of an adequate return also in the comforts, interests and recreations of life, in those less tangible things which make for contentment, peace of mind and happiness.

On the other hand, the workingman must realize that high wages can be maintained only if a high rate of production is maintained. The restriction of production to a uniformly low level per man, with a view of creat-

ing positions for more men, is a sinister and harmful fallacy, most of all in its effect on labor.

By the same token, the restriction, under labor union rules, of the number of apprentices in given trades, and all similar measures of interference with the natural course of things, defeat their own objects and are detrimental both to labor and to the community at large.

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It is a truism to say that the more a community produces, the more there is to divide. A country of low production is inevitably a country of low wages. No labor union or other power can change that economic axiom, nor can it change the fact that there is a point beyond which wages cannot rise, without throwing production out of gear and disturbing the whole economic equilibrium, unless accompanied by proportional enhancement of the laborer's output.

Unduly inflated wages must necessarily create unduly inflated prices. The result is diminished consumption which, after a while, becomes reflected in a reduction of output, accompanied by a reduction of employment.

Restrictive rules hurt everybody.

Moreover, exorbitantly boosted wages do not do the worker much good when offset by a more or less proportionately high level of the cost of the things he buys. And they do a great deal of harm to a very large part of the rest of the community.

The welfare of the so-called middle classes, the men and women of moderate incomes or salaries, the small shopkeeper, the average professional man, the farmer, etc., is no less important to the State than the welfare of the wage-earner.

If, through undue exactions, through unfair use of his collective power, through inadequate output, the workman brings about a condition in which the maladjustment of returns and the pressure of high prices become intolerable to the many millions who are not wage-earn-

ers, he will create a widespread animosity against himself which is bound in the end to be of great harm to his legitimate aspirations. Precisely the same, of course, holds true in respect of the employer and capitalist.

In the last analysis, these matters come down to the temperate, sensible and foresighted use, or the misuse, of power temporarily residing, to a greater or lesser degree, with one party or the other, with organized labor or with the employer, according to the greater or lesser demand for workers.

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Both sides will do well to take heed of the patent fact that the community at large is less than ever inclined to tolerate quarrels, at its discomfort, expense and peril, arising from the misuse or the unintelligent use of power by one party or by both.

If necessary, means will be found to curb, curtail and circumscribe the exercise of that power, highly regrettable though it would be if, in one more great field, legislative or bureau regulation and governmental interference were to be substituted for the action of natural forces.

IV. Taxation

The problem of national taxation.

It would be difficult to conceive of a system of taxation less scientific and more disserviceable than the one that has been in effect in this country since 1917.

While business and accumulated capital are naturally the principal single sources of revenue, there is a point beyond which these sources cannot be used wisely, safely or effectively.

To supplement them, numerous other means of providing revenue are available. The framers of our tax legislation have resorted to them only unwillingly and inadequately, although they are being successfully used in all other countries.

Taxes of that nature, while largely productive in the aggregate, are so trifling in their units as to be barely perceptible in effect, and they have the great advantage of collecting themselves almost automatically, whereas the expense, labor and complexities, both to the Government and to the taxpayer, which the collection of the income taxes involves under the provisions of the existing law, are of staggering magnitude.

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Progressive income taxation right, but existing method unreasonable.

I favor, and have always favored, the principle of a progressive income tax, but, like every other principle, however sound, it must be applied within the rule of reason. We have applied that principle with vindictive unreason. We have turned a rightful theory into a measure of economic violence, with ill-effects that, however indirect in some of their manifestations, are all-pervasive upon the nation.

A register of the characteristics of our present schedule and system of supertaxes would include these items:

1. It bears the imprint of class and sectional discrimination.

2. It is unscientific, inequitable, vexatious, and uncertain in its operation, and getting steadily less effective in producing revenue.

3. It encourages and facilitates governmental extravagance and at the same time diminishes the incentive to the careful husbanding of private resources, thus discouraging saving and self-denial and promoting private extravagance.

4. By appropriating and draining into the coffers of the government a preponderant share of the liquid capital which ought to be available for business and investment, it hampers enterprise, deflects the natural and fructifying flow of capital and prevents that degree of accumulation of funds, which is needed for the normal conduct

and due expansion of the nation's business and for the country's development.

5. It causes economic dislocation and maladjustment, diminishes the country's purchasing and consuming power, tends to curtail production, and makes for higher costs.

6. It penalizes the working capitalist, the man engaged in active business and in productive enterprise, as against the idle capitalist who simply puts his funds into tax-exempt securities; it prevents many business transactions altogether, and causes others to be done in a roundabout and artificial manner.

Prosperity a matter of delicate interrelationships.

7. By curtailing excessively that incentive to effort and venture, which relates to the expectation of material reward, it strikes at the very basis of the system of individual enterprise and initiative, upon which our social, economic and political system rests.

The country's prosperity is a matter of manifold, complex and delicate interrelationships, and he who would lead the people to believe that they can be benefited —or, indeed, that they can avoid being greatly harmed— by oppressive taxation of capital, deceives himself or attempts to deceive others.

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How the present income tax is paid.

According to the latest published official compilation of "Statistics of Income," the yield from personal returns for the year 1920 was in round figures, $1,075,000,000. The total number of persons in this country "employed in gainful occupations" is stated to be over 41,000,000. The total number of persons filing income tax returns was 7,259,944. That is either too many or too few.

Individuals to the number of 5,241,266 having annual incomes from $1,000 to $3,000 paid altogether $82,367,553 in income taxes, which was at the average rate of less than one per cent of their incomes.

Individuals to the number of 1,337,116 having annual

incomes from $3,000 to $5,000 paid altogether $83,496,116 in income taxes, being at the average rate of 1.66 per cent of their incomes.

In other words, 6,578,382 income taxpayers (*i.e.*, over 90 per cent of the total number of tax-paying individuals) contributed about 15½ per cent of the total governmental revenue from income taxation, while the remaining 84½ per cent was contributed by 681,562 income taxpayers (*i.e.*, barely 10 per cent of the total number of tax-paying individuals).

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How the returns from the surtaxes are decreasing.

By reason of their very extremes, the high surtax rates have defeated their own purpose, or, rather, that of their advocates. The country is afflicted with the troublous consequences flowing from the operations of the existing tax-schedule, without even gaining the advantage of the revenue which was supposed to result from it. The higher "brackets" of the surtax schedule have ceased more and more to be productive.

The official figures show that the aggregate income subject to the rates of the higher surtax "brackets" has been reduced to less than one-half of what it was in the first year of their existence, and the aggregate of taxable incomes exceeding $300,000 has been reduced to less than one-quarter of what was the aggregate declared income in that category in 1916.

That does not mean that large individual incomes have diminished to any such extent. It merely means that the governmental revenue derived from the extreme surtax rates on large incomes has diminished.

Quite apart from the plain way of avoidance, through investment in tax-exempt securities, these rates challenge the ingenuity of those subjected to them, as every extreme statute does, to find permissible means of escape from their rigor.

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A few pertinent questions.

I should like to address the following questions to those who, untaught by the test of the last four years, still cling to the ill-conceived and nationally detrimental system of taxation which was inaugurated in the stress, and to meet the exigencies, of war and is no more fit to be perpetuated in peace than is any other war measure:

Has anyone, any calling, or any section of the country been benefited by a system which was meant by its promoters to place the principal burden of taxation directly upon a small minority of the people?

Has not, on the contrary, that burden, translated into higher costs, diminished supply of capital, reduced enterprise, curtailed purchasing and consuming power, freakish maladjustments and other impediments, fallen heavily upon the bulk of the people, especially upon the agricultural population, much more heavily indeed than would have been the case under a system less based upon class discrimination and political opportunism, and more upon courageous application of practical knowledge and economic soundness?

Conceptions applicable to war measures should not continue in peace times.

Is it not a fact that the problem of raising in times of peace so large a sum as three and a half billion dollars by taxation, is an entirely new one to us and that we have no precedent to guide us in its solution? If so, is it reasonable to think that we have found the best solution right off, at the first attempt, in the revenue measure enacted in the midst of war, and is it reasonable to adhere in peace times, as we have done, to the economic conceptions underlying that measure?

Ought we not, rather, while retaining the principle of progressive income taxation, to do some prudent, carefully circumscribed and responsibly sponsored experimenting in order to ascertain through the test of actual experience what is the best and most advantageous and least

burdensome way all round to raise the revenue necessary for the conduct of the Government?

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I realize that not much sympathy will be wasted by the rank and file upon the plaint of those in possession of large incomes, on the score of excessive taxation.

If the argument for a reduction of those rates is to succeed, it must be based not upon the plea of consideration for the rich, but upon proof that the existing schedule results in harm to the country as a whole. Surely, the last few years have given that proof irrefutably, not to mention the overwhelming weight of opinion on the part of the leading economists and the most responsible political authorities.

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In considering the matter of tax revision, it must be borne in mind that it is, to say the least, questionable whether public opinion and political considerations would and should countenance a really adequate reduction of the surtax rates unless there was a simultaneous reduction in the "normal" rate.

I would suggest, therefore (irrespective of what might be done in case of the adoption of the "sales tax" *), that the "normal" tax-rate be reduced by one-quarter and that all surtaxes be reduced by one-third for the next fiscal year and by another one-sixth for the year after that. A proportionately larger reduction is suggested in the surtaxes than in the normal tax because our rate of normal taxation is very low already as compared with our scale of surtaxes. As it is, our normal rate is far lower, and, moreover, the exemptions in favor of those of small means are far more liberal than the normal rate and the exemptions respectively, prevailing in any country in Europe, while the upper "brackets" of our sur-

* For a discussion of the sales tax, see pp. 248-252.

taxes are higher than those prevailing in any country in Europe.

Normal tax rate should be reduced simultaneously with surtaxes.

A wisely adjusted lightening of the burden of taxation would have a strongly beneficial effect in quickening business, facilitating the flow of capital and diminishing costs; at the same time, it would be found, I believe, that the total revenue resulting from the lowered rates as compared to those now in force would be lessened to a moderate extent only, and as far as the tax yield from very large incomes and profits is concerned, I feel certain that the Government would receive more, rather than less.

The latter expectation is borne out by the high authority of the Secretary of the Treasury in his latest report on the national finances, an admirably wise, sound and candid utterance. The only point concerning which I venture to express qualified dissent from the tax policy recommended by the Secretary is, that his advocacy of a reduction in the upper "brackets" of the surtax rates is not coupled with a proposal for the simultaneous relief of the income taxpayer of lesser means.

To the extent that a falling off in the aggregate revenue would have to be made good in consequence of a general reduction of normal and surtaxes, there is a choice available among several very simple and productive taxes (such as have long existed in most countries of Europe), for instance, a very small stamp tax on checks and on bills of exchange, which would involve no burden at all on the people at large and no hardship on anybody.

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Sales tax idea should receive unbiased consideration.

In this connection and from the broader viewpoint of fiscal policy, I would once more bespeak unbiased consideration of the sales tax. It seems to me that the objections to that form of taxation are largely based upon preconceived notions or dogmatic assumptions. Whether its advocates or its opponents are in the right can be

determined only by actual test. I think such a test ought to be made, simultaneously with an adequate reduction of the surtax-schedule and the normal tax-rate, and a fair trial given to the principle of a sales tax, on however modest a scale.

The sales tax is so simple of application and collection, so exceedingly small in its individual incidence, and so easily abolished if no longer wanted, that a trial upon intelligently conceived and carefully worked out lines may safely be undertaken without the risk of noticeable hardship upon any one.

If a sales tax were adopted, the yield produced by it alone would make it easily possible for the Government to exempt entirely from income taxation many hundreds of thousands of the smallest income taxpayers in addition to diminishing the normal tax rate and reducing the war schedule of surtaxes to reasonable rates, appropriate to peace-time conditions. And there would still be left, assuming a sales tax of one per cent, a large surplus yield to be applied to relief from various forms of burdensome taxation or to other desirable purposes.

V. The European Situation

The blight of those ill-omened instruments, the Peace Treaties of 1919, lies upon all Europe.

Undertaking blithely to create a new world by their fiat, the framers of the treaties carved up with sweeping and iconoclastic arbitrariness the map of Europe, Africa and Asia, brushing aside actualities, unmindful of demonstrated qualities or disparities of races, and disregarding economic realities and results.

Endeavoring to reconcile justice and wisdom with expediency and, all too often, with considerations of domestic policy, they sowed the seeds of dissension and ill-feeling toward one another among the nations that had

been brothers-in-arms, and of confusion, discord and strife throughout Europe.

In the name of a hazy and illusory doctrine, termed self-determination, dispensations were made which instead of bringing assuagement of racial animosities, have resulted in the creation of narrow, rampant nationalisms, and of multiplied customs-barriers and other impediments thrown in the path of trade-intercourse and normal relationship between peoples.

Simultaneously with these dispensations and in defiance of the selfsame doctrine, large bodies of people were torn from their racial affiliations and thrust under unnatural sovereignties.

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Failure of the Peace Treaties.

So little were the Peace Treaties consonant with the realities that from the day of their promulgation to this day they have been continuous objects of heated controversy, of readjustment, of interpretations, of conferences, of haggling and whittling down, and of ever-recurring crises. None of them has proved fulfillable as written.

In the case of one of them, the treaty with Austria, the selfsame nations which imposed the conditions of peace have found themselves compelled to undertake the task of intervening to counteract the effects inevitably produced by these very conditions.

In the case of another, the treaty with Turkey, its provisions have been nullified by defiance and by the sword, and, according to often published and uncontradicted reports, the means to sharpen that sword were furnished, to an extent, by some of the Allied Powers.

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Fundamental defects of the League of Nations.

The treaty makers thought fit to inject into the matter-of-fact business of making peace—a business which demanded promptitude and finality—the complexities, delays and uncertainties of the minute elaboration of a

world-embracing ethical experiment that called for calm and detached and separate consideration and treatment, *i.e.,* the League of Nations Covenant.

The idea and aim of organized coöperation among the nations in order to maintain and strengthen international law and justice, foster understanding, fair dealing and good relations among the peoples, and aid to preserve peace, has ever met with the ardent approbation of right-thinking people everywhere.

The treaty makers have mishandled that fine and universally acclaimed conception by seeking to utilize it for unrelated purposes, and making it an instrument to execute and guarantee the terms of ill-conceived peace treaties.

While the principle of the establishment of a League to serve peace might well and with universal approval have been made the subject of a solemn agreement among the statesmen assembled in Paris in 1919 and steps inaugurated to set up such an organization, it surely ought to have been kept apart from the war settlements, and its scope, functionings and precise methods of procedure left to be worked out and determined in an atmosphere and under circumstances different from those prevailing at that time and place.

Owing to its congenital defects and the disingenuousness and bargaining which marked its very creation, the League has proved itself impotent to deal with the most pressing and vital problems for which the world craves a remedy. It has failed, thus far, to aid effectively in bringing about that spirit and fact of peace and settlement and fairness and reconciliation among nations, the promotion and attainment of which ought to have been its sole aim and mission.*

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* A more detailed discussion of the League of Nations may be found on pp. 356-377.

The contention frequently put forward that responsibility for the existing unsettlement, dispeace and quarreling in Europe is largely attributable to America's absence from the League of Nations, seems to me wholly untenable and, in fact, little more than an attempt to unload the blame for the consequences which were bound to spring, and did spring, from the fatal faultiness of the Peace Treaties.

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The Fourteen Points were disregarded.

The program proclaimed by President Wilson, speaking for the "Allied and Associated" Powers, as the basis on which peace should rest, including the wise, enlightened and farsighted Fourteen Points, has been largely disregarded or circumvented in the actual terms of the Peace Treaties.

Whether or not the American and Allied armies ought to have gone on to Berlin, whether peace terms ought to have been dictated from that capital, whether they ought to have been different than those actually stipulated, the fact is that Germany laid down her arms upon the assurance of definite conditions of peace stated by President Wilson and formally accepted and confirmed—with minor reservations—by the Allied Governments.

No obligations more binding than those toward a disarmed foe.

The Peace Treaties are not in conformity with those terms.

If it be possible to speak of a plighted word being more sacred and compelling in one case than in another, it may be said that no obligation is more solemn and binding than that undertaken toward a beaten and disarmed foe. It has been so considered throughout history, far back even in the days when the code of ethics was primitive.

The treaty makers not only departed from the plain meaning of the conditions pledged to the enemy, they also nullified, in effect, the promise given to their own peoples, which fired so many hearts and inspired so many to willing sacrifice and heroic endurance, the promise that

the dreadful night of the war would bring the dawn of a nobler day, both within each nation and among all nations. Alas, for the shattering of that high hope!

The spirit and attitude of the victors as expressed in the treaties of 1919, and in certain actions since then, have gone far to handicap the influence and the efforts of those in the defeated countries who are sincerely attached to liberalism and democracy, and to facilitate the propaganda of extremists in the camps both of reaction and of radicalism.

I dislike to interject any reference personal to myself, but, lest such consideration as you may be inclined to give to my arguments may be affected by misunderstanding or misinterpretation of my motives, permit me to say that the attitude which I took unhesitatingly and openly on the side of the Allied nations from the day the first shot was fired in 1914, because I looked upon their cause as that of right and liberty, ought to absolve me from the imputation of bias in favor of Germany.

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The tragic plea of devastated France.

I know and feel full well the all too eloquently tragic and moving plea which contemplation of the devastated regions makes to the feelings of everyone, how much more to those of a Frenchman.

I sympathize deeply with, and fully understand and endorse, the passionate determination of France to protect her children now living and those of coming generations, as far as humanly possible, against the dread eventuality of having to face once more the appalling ordeal of war and invasion from across the Rhine. I am far from under-appraising the right and the need of the Allied nations, especially France, to take every warranted safeguard for their future peace and security. I share wholly the feeling and conviction that the safety and well-being of France do concern, justly and greatly,

the people of the United States, both sentimentally and actually.

I endorse unqualifiedly the title of the Allied nations, and again preëminently France, to exact every just and practicable contribution and guarantee from Germany toward overcoming the grave fiscal and economic difficulties and problems which, owing to the war, are weighing upon them. Germany must go, or must be made to go, to the utmost limit of her capacity to atone for the wrong and destruction wrought by her.

I do not shut my eyes to the instances, within the last four years, of conduct and tendencies on the part of Germany calculated to arouse the resentment and misgiving of the Allied nations, of things done which should not have been done, and other things not done which should have been done, nor to the fact that a considerable and influential portion of the German people continue to show an ominous spirit of truculence and of obliquity to her culpability.

But all these considerations, however weighty, do not make right the defects, moral and practical, of the Peace Treaties. Nor do they justify self-opinionated refusal to recognize or admit realities and stubborn insistence upon untenable and unfillable conditions, let alone the eventuality of ill-omened measures of stark coercion in an attempt to enforce the unenforceable.

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The problem of reparations.

The most urgent and most immediately troublesome of the problems calling for action by the Allied Governments, is that of the reparations due from Germany.

That the situation in Europe cannot be normalized until this question and others related thereto have been definitely and finally adjusted, is now a matter of general recognition. That Germany is utterly unable—and under no conceivable circumstances will be able—to pay the fantastic sum assessed against her by the London ulti-

matum of the spring of 1921, is likewise understood by informed persons everywhere.

Incidentally, it should be borne in mind that the appraisal of that sum rests upon an indefensible interpretation of the Armistice terms. Under these terms, Germany was held to make compensation "for all damage done to the *civilian* population of the Allies and to their property by the aggression of Germany by land, by sea and from the air." In the Peace Treaty (against the unanimous advice, on legal, moral and practical grounds, of the American experts, but, regrettably, with the consent, though reluctantly given, of President Wilson), the natural meaning of these terms was twisted to include German liability for Allied military pensions and "separation allowances," and thereby the total amount assessable against Germany for reparation was more than doubled.

The appraisal of what Germany can pay.

In appraising Germany's ability to pay reparations it must be remembered that not only has the Peace Treaty taken from her a vast amount of property (estimated—though doubtless greatly overestimated—by the late Dr. Rathenau at about twenty billion dollars), some of it of irreplaceable national value economically, but that she is called upon to pay the cost of the Allied armies of occupation, the expense of numerous Allied commissions and other items not generally known, all of which aggregate a huge sum, apart from reparations. And the vital fact must never be lost sight of that what German industry yields at home is paper marks, but what she has to pay in reparations is gold marks or their equivalent.

According to official figures submitted to the German Parliament, the cost to Germany of the Allied armies of occupation from the date of the Armistice to March, 1922, was 5,537,000,000 gold marks (about one and one-third billion dollars) and 14,000,000,000 paper marks. For the last twelve months, it is officially stated,

the cost to Germany of the Allied armies of occupation has been over $400,000,000.

The conscience of the world will not be satisfied until Germany will have made that degree of at least material reparation which, by her utmost practicable efforts, she is able to produce. But all competent observers agree not only that the amount now fixed is far beyond her capacity to pay, but that insistence upon, and efforts to enforce, the unrealizable, result merely in steadily diminishing that capacity.

It would seem manifest that the situation calls for the granting of a moratorium for a few years. Within that period, under the effective supervision of the Allied Powers and, to the extent needed, with their coöperation, Germany can and must put her house in order, prevent the evasion of German capital, stop her paper printing presses, impose and rigorously collect severe taxation, balance her budget and stabilize her currency. She must show unquestionable good faith and sincerity of effort, and so conduct herself in action, spirit and disposition as to invite and warrant indulgence on the part of the Allied Powers.

Suggested settlement of existing deadlock.

After the expiration of that moratorium, she should inflexibly be held to pay such reparations as observation and experience in the meantime will have shown to be fairly practicable, and as long as she does pay, there should be no measures or gestures of latent coercion, military or otherwise.

In pursuance of such a program, a German loan could be floated of sufficient size to enable the stabilization of the mark and the making of a substantial payment on account of reparation.

It has been suggested—and it may be worthy of consideration—that the reparation payments to be exacted from Germany in such a final settlement should not be an arbitrarily fixed amount which may prove too high

or too low for her capacity, but, for an adequate length of time, a definite yearly percentage based upon certain appropriate items.

Incidentally in the very interest of the reparation claimants, those treaty provisions which place undue discriminations against her exports and prevent her from controlling her imports ought to be abolished.

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It is, of course, true that the present critical situation in Germany is due not merely to excessive exactions, monetary and otherwise on the part of the Allies. A large part of the responsibility is attributable to the faults of her own policy, whether from reprehensible design or from lack of strength and resolution in the Government.

The menace of Germany's collapse.

Nevertheless, the fact is that by the methods heretofore employed the Allied nations have not been able to obtain any but a small part of the reparations justly due, that the prospect of obtaining adequate payment is getting slimmer the longer these methods are pursued, that things in Germany are going from bad to worse, that she is drifting into economic chaos, that she is threatened with civil war, that the arms of Soviet Russia are ominously outstretched toward her.

What the repercussion upon all Europe would be, of total despair and collapse in Germany, cannot be measured.

But, surely, it has become unmistakably manifest that the sheer policy of the iron hand can bring neither profit nor safety to those employing it. Surely, it is possible to be inflexibly firm in insisting upon and enforcing just dues, fixed according to the limit of the reality of things, without making confusion ever worse confounded. Surely, the time is due and overdue to reëstablish genuinely peaceable intercourse between all the leading nations.

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VI. America's Attitude Toward Europe

In contemplation of the European situation, what, then, should America do?

It is no use crying over spilled milk, but there *is* use and indeed there is need for the American people to aid in preserving from further spilling what milk there is left, and in replenishing the world's all too scanty supply.

America cannot disregard her responsibility.

Such as Europe is today, America has been a strong factor to make her, through her decisive participation in the war and through President Wilson's part in the framing of the Peace Treaties. We cannot, in decency or in wisdom, disregard that responsibility.

America is in the fortunate position of not having any axes to grind. She is not suspected of ulterior motives.

The European nations, both our comrades in the war and our former enemies, have confidence in our disinterestedness and our intentions. They have reciprocally involved themselves in a snarl which they find it an almost hopelessly difficult task to unravel by themselves.

In the tumultuous clash of conflicting interests, aims and claims among the nations, America's voice will be heard and her counsel will be potent.

In the face of a Europe seething with turmoil and gripped by distress, is America to pursue a policy of narrow self-protection, overcautious reserve and cold, diplomatic correctness? Is she to stand aside in sterile and self-righteous aloofness?

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In part through the destruction of the war, and, no less, probably through the faults of statesmen and the disruptive effects and economic vices of the Peace Treaties, the consuming power of Europe is greatly impaired and that of many millions of her people crippled almost to the point of extinction.

The consuming power of the world is an essential

element in our prosperity, for our own productive capacity has outrun our consuming capacity.

The purchasing power of the European markets may not, for a certain length of time, be wholly indispensable to the prosperity of our manufacturers and merchants—though it undoubtedly is to some of them—but it is absolutely indispensable to the lasting prosperity of our agriculturists, because they have no other market for their surplus.

I venture to propound, in respect of the European situation, that certain definite things might well and safely be done by the United States, consistently with American traditional policies, with freedom from political entanglements in Europe, with the inviolate preservation of our liberty of action and our untrammeled sovereignty, and with altruism, duty and self-interest:

Official representation on Reparation Commission.

The Reparation Commission has no connection with, and is wholly independent from, the League of Nations. From the beginning, America has had an admirably qualified, but unofficial and non-voting, delegate on that Commission. I believe that the status of that delegate should be made official, unless the outcome of the present inter-Allied conference on the subject of reparations should make this unnecessary or impracticable.

The Reparation Commission, in its underlying conception, is essentially akin to an arbitration body. I can see no categorical reason why America should not take a full-fledged part in the deliberations and conclusions of this and similarly conceived commissions *not subject to the jurisdiction of the League of Nations.* There seem to me to exist, on the contrary, strong reasons why she should, and I believe that her doing so would mean a valuable contribution toward terminating embarrassing and harmful deadlocks and toward bringing about fair and reasonable solutions of gravely troublous problems pressing for settlement, without thereby involving the

United States in undesirable commitments or undue responsibilities.

A vast majority of the American people, at the last Presidential election, two years ago, pronounced their emphatic unwillingness—in my opinion, most rightly so—to subject this country to the obligations and "involvements," actual and moral, of the League of Nations.

Notwithstanding the political reversal registered at the election of last month, there appears to be no doubt that the preponderant verdict of the electorate continues to be opposed to America's joining the existing League.

Growing popular recognition of America's interest in Europe.

On the other hand, there are indications of a growing undercurrent of popular feeling and recognition that the United States cannot afford to be indifferent or inactive in respect of the disarray in Europe.

I would venture the suggestion that it has now become fairly incumbent upon the United States to indicate precisely and officially what are the terms, conditions and limitations under which she would be prepared to take part in an organized and permanently established international effort destined to serve justice and welfare, to aid the maintenance of peace, and to promote understanding, fair dealing and good will among the nations, *but so circumscribed in its functions and powers as to be in accord with the spirit of the traditional limitations in respect of America's attitude toward the affairs of Europe, and to involve no approach to any moral or actual interference with American sovereignty and freedom of action.* That suggestion is not in conflict with precedent. America, prior to the war, did coöperate officially in international conferences called to serve the purposes above stated.

* * * * * * *

Allied debts to America.

I submit that our manner of dealing with the indebtedness of the Allied nations to the American Government should be practical, broad-gauged and liberal.

Before proceeding to discuss this subject, I beg your indulgence for a few words which, in my capacity as a banker, I feel called upon to say in connection with it, in view of the constantly reiterated imputation that the views of the banker, and especially of the so-called international banker, concerning this question are colored by considerations of selfish interest.

Well, that simply is not so, and there is nothing in the nature of things to make it so. Indeed, from the merely material and personal point of view the banker has no more reason to be concerned about a settlement of the matters affecting the situation in Europe, than the average American citizen, and much less reason than the farmer and others whose prosperity is substantially affected by Europe's capacity to make purchases in this country.

The often repeated and widely believed assertion that American bankers hold from four to six billion dollars of foreign securities is wholly untrue. To begin with, the total amount held in America of securities of those nations which are indebted to our Government, is not four to six billion dollars, but *less than one billion* dollars. And, secondly, these securities have been widely distributed, and the great bulk of them is held not by bankers, but by many thousands of investors, mostly small investors, throughout the country.

* * * * * * *

To return after this digression to the course of my argument: What are the facts and the essential circumstances with respect to the Allied debts to the American Government, aggregating, in round figures, without including interest accrued but unpaid, $10,000,000,000?

Allied debts are justly due.

(A) There is no valid ground for reproach on account of this Government's unwillingness to look upon these debts as other than justly due to the United States. For a variety of reasons, not necessary to set forth on the present occasion, the contention that our loans to the

Allied nations should be considered and treated as simply a contribution to the common expense of the war, cannot be sustained.

(B) 1. Of the $10,000,000,000 advanced by us to the Allies, a considerable portion (about $2,700,000,000, as far as I can ascertain) was advanced *after the war was won*—after the Armistice. It must be recognized, though, that a considerable part of this sum arose out of commitments made during the war, and that such part was needed, and no doubt was used, in connection with the settlement in this country of contracts entered into, prior to the Armistice.

2. Of the remaining $7,000,000,000, or thereabouts, a certain portion was spent by the recipients for purposes not directly connected with the war.

3. While the American Government loaned money to the Allied Governments unstintedly to pay for things which they bought here for the war, it paid cash to the Allied Governments, at the same time, for everything which *it* bought "over there" for the war, and not only for what it bought in the way of tangible objects, but for a good many other things, such as transportation, services and claims of various kinds.

The aggregate of what our Government thus paid in cash to the Allies, principally France and secondarily England, is estimated to amount to the huge sum of $4,000,000,000.

4. On the other hand, it is but fair to recall that prior to America's entrance into the war our industries, farmers and workingmen benefited greatly from Allied purchases in this country; that the bulk of what America loaned to the Allies was spent in making purchases here; that from the profit accruing to the sellers on these purchases the American Government derived large revenue in taxes, and that, owing to the immense depreciation of foreign currencies, except that of England, the sum which

the debt to America now represents in their own respective moneys, is much greater—not merely nominally, but actually—than the sum, calculated in foreign currencies or values, which the debtors received at the time the loans were made. Also, as against the amount due to America from the Allied Governments, certain offsets are claimed, which claims are, of course, entitled to full and fair consideration.

Authority of Debt Refunding Commission.

(C) Congress has constituted a Debt Refunding Commission, but has limited its authority to arranging for the repayment of the Allied indebtedness to us within twenty-five years, plus 4¼ per cent interest per annum.

It should be remembered that this really means imposing a charge of 6¼ per cent per annum, because if the debt is to be repaid at the expiration of twenty-five years, there must be provided a sinking fund of 2 per cent per annum in addition to the interest.

Allies cannot meet terms demanded by Congress.

(D) The Allied nations on the European Continent maintain, the facts of the situation being what they are, that they cannot possibly meet these terms. Indeed, with the single exception of England, all the Governments concerned indicate that they are not now in a position, in view of existing circumstances of sentiment and actuality, to obtain from their people the funds with which to make substantial payments on account of their indebtedness to the American Government.*

Whatever may be called for in theory and abstract justice, no Government, in order to pay debts abroad, can exact from its own people greater deprivations, re-

* It is significant to note, in this connection, that while all the Allied nations together, victorious and augmented, find themselves unable (in which finding all well-informed men will concur) to pay us an aggregate of $10,000,000,000 within twenty-five years, yet the governments of these same nations, last year, committed themselves to the affirmation that Germany alone, defeated and diminished, is capable and obligated to pay to them more than three times that sum, *i.e.*, $32,000,000,000, in addition to several hundred million dollars annually for the cost of their armies of occupation.

nunciations or sacrifices than public opinion will sanction, or place upon it burdens which would intolerably lower the standard of living in its own country or seriously impair national welfare or jeopardize what are looked upon as essential national interests or safeguards.

Some debtors have reached limit of taxation.

Some of the nations who are our debtors have reached the very limit of what it is possible, for the time being, to collect by taxation. In the case of some others, it would seem that policies and action are practicable and called for, which would improve their domestic budgets and relieve their fiscal position. But it does not follow that such measures would enable them to increase proportionately their capacity to liquidate debts abroad, inasmuch as such liquidation necessarily requires gold or its equivalent.

(E) An all-round reasonable and broad-minded settlement of the financial status of the European nations that were engaged in the war, is a prerequisite to setting the house of that continent in order and making it again a peaceable habitation. To such an end, I believe, America might well and wisely contribute a certain portion of her Government's claim against the Allied nations.*

I am convinced, quite apart from considerations of sentiment, that it would be to the ultimate advantage of the United States to do so. I feel sure that such action would turn out a good investment.

These reciprocal debts and claims between nations, in their undiminished magnitude, hang like a millstone around the neck of the European peoples. Unless that situation is effectively alleviated, it will prove progres-

* I also think that prompt and liberal action should be taken by the President and Congress in the matter of settling with German private owners on account of property which, in defiance of all precedent, except that set, regrettably, by the Allies during the late war, was taken over by our Government.

sively deleterious to all nations concerned, the claimants only less than the debtors.

Allied debts to America affect German reparations problem.

Whatever may be the arguments of strict logic, the item of the debts due from the Allied nations to the American Government does, in fact, enter as an element into their attitude toward the determination and settlement of the problem of reparations to be exacted by them from Germany, and of kindred troublesome questions.

The repercussion from the disordered state of Europe is bound to be felt in this country, to a greater or lesser degree—it has been and is a strongly aggravating element in the plight of our farming population—and, if continued much longer, cannot fail to have a detrimental effect upon America's prosperity, not to mention the eventuality of graver and more far-reaching consequences which are conceivable if developments in Europe are permitted to drift to an acute crisis.

However, it must be recognized that the greater part of public opinion in this country seems definitely opposed to the suggestion of waiving any part of the capital sum of the Allied indebtedness to America. The present Administration appears to be as little inclined to favor that suggestion as the preceding one was, and the same holds true of Congress.

(F) In view, then, of the attitude of the Government and the state of present public opinion in this country, and in consideration of all the circumstances above set forth, and bearing in mind the practical impossibility of *enforcing* payment between governments, I would venture to submit a suggestion on the following lines:

A definite plan suggested.

(1) Of the $2,750,000,000, or thereabouts, which our Government loaned to the Allied nations after the Armistice, that portion, at least, which was not applied to the settlement of war contracts here is intrinsically distinguishable from the balance of the Allied debt to us.

It should be promptly put in the way of repayment with a reasonable rate of interest. For instance, *in respect of that portion of the debt,* America might stipulate interest at the rate of 3¼ per cent, and an annual sinking fund of 1 per cent, the latter to begin after, say, five years.

(2) As to the remainder of the debt, it would hardly seem feasible to apply the same formula to every country. I can see no ground for just complaint in such differentiation, provided it is plainly understood, from the beginning of negotiations, by all nations concerned, that we intend to proceed in that manner. The same thing is done daily in the ordinary course of business. It is a matter of constant happening that a man arranges settlements with debtors according to their capacity to pay. And it is not considered cause for valid grievance that some are accorded easier terms than others, provided the arrangement is made without favoritism, in a spirit of fairness, according to ascertained facts.

It seems to me that the Refunding Commission should go thoroughly into the economic, financial, fiscal and general situation of all countries concerned, and make a liberal and final settlement (subject to the approval of Congress), as to sinking fund and rate of interest and as to the dates when these are to come into operation, likewise as to such offsets, if any, as may be found demonstrably valid in respect of the face value of the debt. The Commission should take understanding account of the moral and economic factors involved in each case, and should err, if at all, on the side of liberality, expecting, in return, on the part of those nations which are our debtors, a reciprocal attitude of moderation and of enlightened action in order to terminate effectively the ill-conditioned era of dispeace—lamentable and sinister inheritance of the war and the Peace Treaties—which

has been keeping Europe in turmoil, bitterness and crisis all too long.

Question of "payment in kind" should be considered.

The question of the feasibility, acceptability and extent of "payment in kind," or in whatever other equivalent in lieu of cash, should also be within the purview of the Commission's investigations and recommendations.

All these, of course, are the merest tentative suggestions. The Refunding Commission would be able, after investigation of the pertinent facts, and conference with the representatives of the nations concerned, to evolve carefully elaborated formulæ to fit each particular case.

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VII

I do not flatter myself that in this all too long dissertation I have succeeded in making converts to my way of looking upon the problems before us, but I am sure you are in accord with me in recognizing that we do find ourselves face to face with weighty questions and immediate issues.

America has entered a new phase.

With the war, and the developments, social, economic and political, springing from the war, directly and indirectly, America has entered a new phase.

Heretofore, in this country, the path was a relatively smooth and easy one to travel. Since the Civil War, the nation has not found itself compelled to tackle any really hard and complex major problem. We could afford to be "provincial" in our outlook upon the world, and, however reprehensible the neglect of the duties and responsibilities of citizenship, we could and did manage to get along in domestic affairs without serious harm while too many of us were complacently easy-going, if not more or less indifferent, in our attitude toward public matters.

Those easy days are gone. The fact that they are

gone should, I believe, be welcomed rather than lamented, because the discipline of harder tasks is good for a democracy and good for the fiber of the race.

The functions of the Government, the administration of the Government, have come to touch much more than formerly not only our business activities, but our daily lives. The sphere of government has assumed a far wider scope than it had in the past; it extends its concern and its intercession to numerous matters which formerly were considered as lying outside of its field and as having to be left for settlement to the operations of economic or social forces. And, as in domestic affairs, so it is in world affairs.

The problems of government have become more complex and far-reaching, the task of government more difficult, the effect of governmental efficiency or inefficiency more directly and seriously a factor for good or ill to all of us, whatever our station and occupation. Such being the case, it follows that it is not only the civic duty but the self-interest of every one to turn in and aid toward making our governmental activities sound and sagacious and helpful. To stand outside the ring and criticize and complain is neither a sufficient nor an effective contribution toward good government.

We are confronted with new situations, new movements, new tendencies, new problems. We are living in a portentous time, big with the destiny of the world, for good or ill, for many years to come. It challenges the capacity of the American people to play worthily the part which the turn of events has made theirs.

We must give more serious thought than heretofore to matters of general import and national concern. We must increasingly get together, we men and women of different occupations and viewpoints and from different sections, and seek to find out what is wise and right, and

making for the progress of the country and the welfare of all. We must take the pains and the time to formulate reasoned convictions, and have the courage to stand up for them.

Responsibility of leadership comes to America.

We must not shirk the burden of leadership for America. Our collective responsibility, as well as the individual responsibility of every American, is heavy in the face of the times.

Nearly sixty years ago, President Lincoln addressed these words to Congress:

> "You cannot, if you would, be blind to the signs of the times. I beg of you a calm and enlarged consideration of them, ranging, if it may be, far above personal and partisan politics. . . . So much good has not been done, by one effort, in all past time as, in the Providence of God, it is now your high privilege to do. May the vast future not have to lament that you have neglected it."

That noble invocation applies today. We dare not hope that a leader will arise comparable to the immortal American who uttered it, but, in going to meet the problems before us, we may and should seek guidance and inspiration from his wisdom, vision and steadfastness, from his tolerance, kindliness and forbearance.

WHY I FAVOR THE MELLON TAX PLAN *

I

IN discussing the matter of tax revision, we must first clear our minds on the question whether what we seek to accomplish is to find the fairest, most effective and least burdensome way to obtain the revenues needed for the economical administration of the Government, or whether, under the guise of a taxation measure, we mean to penalize success and, in times of peace, pursue a policy of virtual confiscation of large incomes. It will hardly be gainsaid that a law which, five years after the termination of the war, still subjects a person's income to a levy rising to a scale of 58 per cent as at present (or of nearly 50 per cent as proposed by the latest Democratic tax plan) through direct Federal taxation, in addition to which such a person is subject to municipal, State and various other Federal taxes, not to mention indirect taxes, *is* virtually an attempt at confiscation.

If what we seek is the beginning of fair and intelligent tax reform, then the almost unanimous opinion, so far as I know, of the country's leading economists and other competent authorities having no axes to grind, either political or personal, is that the Mellon plan of tax revision, with certain minor modifications, indicates the lines along which that object can best be attained (though personally I should have liked to see included in our taxation policy a trial of the workings of a very small "turnover" or "sales" tax).

* Distributed by the Citizens' National Committee in support of the Mellon Tax Reduction Proposal, January, 1924.

If, on the other hand, the purpose in view is to militate against the principle of the reward of success, or to circumscribe it so drastically as to amount to a fundamental modification of the system which has existed in this country since its foundation, and which exists in all the other principal countries, outside of Bolshevist Russia, then we are sanctioning a step of most far-reaching and, indeed, incalculable consequence.

No mandate to that effect has been asked for by either of the great political parties, or given by the people.

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A fundamental choice.

It is a sober fact that the maintenance of the traditional and basic American conception of liberty and orderly progress presupposes respect and protection for the property rights of the individual, subject to the just and reasonable exercise of the superior rights of the community at large, and within those bounds which are inherent in enlightened regard for the public welfare.

That doctrine is one of the pillars of the structure of American institutions. You cannot seriously weaken one pillar of that structure without endangering the whole.

There are only two ways in which the working fund and the energy needed for the conduct of the nation's industries can be provided.

The *first* one is, subject to reasonable control and to the watchfulness of public opinion, to give free scope to individual initiative, enterprise and responsibility, and to stimulate men to effort, to thrift and to self-denial, by the incentive of reward.

Individual effort and reward *vs.* universal dispensation by the State.

Under that system, this country gradually advanced to a condition which, though still far from giving ground for complacent self-approbation, does result in greater productiveness coupled with less drudgery, and does offer to the masses of the people an aggregate of more widely diffused prosperity, fairer opportunity, better living conditions, and a greater share in the comforts of life, than

has ever been attained before.* It is, to a large extent, the impetus derived from the generations-old practice of that system and of the methods established and resources accumulated under it, which warrants, and accounts for, our returning prosperity, notwithstanding the handicap of the grave economic defects of our taxation policy, and of certain serious maladjustments largely attributable thereto.

That this handicap and these maladjustments have not caused still more harm than they did cause, and that in the face of them the activities of the country have not been retarded still more, is largely due to the fact that the great majority of the people, and especially those engaged in business, had an abiding faith that the tendencies expressed in our taxation policy of the last six years represented a temporary phase which was sure to be overcome before very long by the assertion of the forces of sound public opinion and by the lessons of actual experience.

The *second* way is to look to the State as the universal dispenser and provider and regulator. That is Socialism, or, in its more thoroughgoing manifestation, Communism, as eloquently exemplified in Soviet Russia.

It is impossible for the methods of individualism, on which our economic, social and political system is based, to function adequately if both the growth of capital resources needed for industry, and the reward of effort and risk, continue lastingly to be curtailed as drastically as they are curtailed under the existing scheme of taxation, which the Mellon plan seeks to ameliorate, or as they

* A similarly propitious development, though to a lesser degree, was taking place in most of the leading nations of the world until the advent of the dreadful catastrophe of the late war—which, be it remembered, found governments of liberal-radical composition in office in England, France and Italy, and for the outbreak of which the responsibility lies at the door of forces quite other than "capitalism."

would be under the proposed Democratic scheme. The two things and aims are simply not reconcilable.

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Just as the purpose of punishment is to reform and deter, so the purpose of reward is to encourage and stimulate. The community must stimulate men, and especially men of productive and directive ability, to work to the full measure of the capacities they possess.

That is the practice which men of large affairs follow in the conduct of their business. They are always on the lookout for brains and capacity, and ready to give liberal reward to the possessors of those gifts.

The need for incentive and reward.

They pay the price willingly because they know that there is no better and more remunerative investment than men of uncommon ability, and none is more greatly in demand or of more limited supply.

That observation, amply demonstrated by long experience, holds good equally as applied to the community.

Excepting such callings as men take up because of an "inner urge," from a natural bent or altruistic motives, or because they desire primarily position, public office, or political power, the vast majority of people require, in order to put forth the maximum of effort and of venturing, an incentive largely, though not solely, of a tangible kind.

In an emergency, of course, at the call of the country, every right-thinking man will not only forget all thought of reward, but will be ready for every sacrifice. He will work and strive far harder than he would for his personal advantage and spend himself without limit, from motives of patriotism or public spirit. But under normal conditions other incentives are needed. And it must not be forgotten that legitimate individual achievement, however gainful to the person concerned, means in the last analysis the creation of assets, tangible or otherwise, the resultants from which in various ways redound, to much

the greater extent, to the benefit and advantage of the community as a whole.

I am far from saying that material reward is the only incentive to business effort. The prospect of, and the ambition for, attaining reputation, standing, influence, the desire to be of usefulness and service, the zest of work and strife, the joy of creative effort, the fascination of matching one's qualities of mind and character against those of others, count for much. But among the conglomerate of impulses which make men dare and plan and work to their utmost capacity, the hope of attaining material success is still one of the most effective. It should be added that, contradictory though it may sound, that hope, in its essence, is actuated by no means wholly, or perhaps even mainly, by materialistic desires.

It is true, Socialists and other adherents of ultra-advanced doctrines claim that the motives of social duty and service can be substituted effectively and universally, in ordinary workaday life, for the motives heretofore generally operative, but such an allegation runs counter to profoundly established currents of human nature and is entirely unsupported by experience.

In fact, the experiment has been tried numerous times and, as far as I am aware, has failed invariably and completely.

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The power of wealth is overrated.

The power of mere wealth is, I believe, generally overrated. That power, in America, has greatly decreased (largely through the vigorous and enlightened leadership of the late President Roosevelt) from what it was at the time he came into office.

It will, I am convinced, further decrease through the action of natural and inevitable circumstances.

The use of capital at the hands of its owners is a subject concerning which there exists a great deal of misapprehension and hazy thinking.

The rich man can spend only a relatively small sum of money unproductively or selfishly. The money that is in his power actually to waste is exceedingly limited.

The bulk of what he has *must* be spent and used for productive purposes. Even if we assume—a large assumption indeed—that the same thing applies to expenditures by the Government, there still remains that weighty difference that, generally speaking, the individual is more painstaking and discriminating in the use of his funds and at the same time bolder, more imaginative, more enterprising and more constructive than the Government, with its necessarily bureaucratic and routine regime, possibly can be.

Morever, inasmuch as Government is not stimulated by the expectation of reward nor deterred by the penalty of failure nor spurred by competition, as individuals are, its use of funds lends itself all too easily to wastefulness and political log-rolling.

Money in the hands of the individual is continually and feverishly in search of opportunities for creative and productive use. In the hands of the Government it is bound to lose a good deal of its fructifying energy and ceaseless striving and all of its dynamics and daring.

Government, in its very essence, is the monopoly of monopolies. It cannot but be affected with those shortcomings which spring from the absence of competition and the exercise of monopoly.

It is not true that under our economic and social system "the rich are getting richer and the poor poorer." On the contrary, the diffusion of wealth has been going on apace; the trend of things within the last twenty years has been greatly toward diminishing the difference in the standard and general way of living among the various categories of our population.

It is worth noting in this connection that, if all incomes over ten thousand dollars were taken, and distributed among those earning less than ten thousand dollars annually, the result, as near as it is possible to figure it out, would be that the incomes of those receiving that distribution would be increased barely ten per cent.

And the consequence of any such division, while of little benefit to the recipients, would be an immense loss of national productivity by turning a powerful and fructifying stream into a mass of little rivulets, many of which would simply lose themselves in the sand.

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It is a well-known fact, characteristic of America, that our wealthiest men are not those who inherited their possessions but those who started at the bottom of the ladder. That is as it should be, but it cannot continue so if our present taxation policy continues.

Surtax blocks road of self-made man.

The road to conspicuous material success is blocked *to the newcomer* by the barricade of the surtaxes. Surprising though it will sound to the advocates of extreme surtaxes, it is a fact that *by these very surtaxes, existing wealth is fortified against would-be competitors, and the handicap against him who starts with little is made greater.*

Manifestly, for a man setting out with small capital, the possibility of accumulating adequate resources is very greatly diminished by a law which compels him to turn over to the Government *in cash* the larger part of that which conspicuous ability, inventive genius, daring enterprise or good fortune may enable him to earn.

II

My experience has been that whenever the subject of taxation is discussed before a public forum—as I have had occasion to discuss it repeatedly—among the ques-

tions asked of the speaker there is almost sure to be found one on the following lines:

"Our present tax burden is the result of the war. Wall Street got us into the war to save its investments abroad and to make profits. Why should not Wall Street pay? There has been enormous war-profiteering by many industrialists. Why shouldn't the profiteers be made to disgorge their ill-gotten gains, through taxation?" Wall Street and the war.

The feeling expressed in questions of this kind is sufficiently widespread and resentful to make it an appropriate subject for a few words of comment, being, as it undoubtedly is, one of the elements which enter into the attitude and viewpoint of part of the public concerning the matter of tax-revision.

1. To anyone even remotely acquainted with the facts, it is well known and indisputable that, if ever a man's thoughts, conclusions and actions were wholly his own, those of President Wilson were. To imagine him as having bent before influence, or yielded to pressure, emanating from Wall Street of all places, or as having been its dupe unwittingly, is nothing less than the height of the preposterous.

Quite apart from that, it is, of course, a monstrous suggestion that any President would permit the horrible calamity of war to come upon the country from any motive but what his conscience and judgment perceived as the most solemn and compelling call of duty.

2. The two and a half years immediately preceding America's entrance into the war, were, from the point of view of sheer profit-making, simply ideal for many American industries and individuals.

The Allies *had* to buy large and ever-increasing quantities of some of the products of our soil and industries, practically regardless of price. The demand was almost unlimited. Profits were very great and taxes were light.

Wall Street had no reason to be concerned on the

Allied loans not held by Wall Street, but widely distributed.

score of the financial accommodation extended to the Allied nations. The business of bankers is not to hold bonds but to distribute them. The loans which had been made to these nations in the shape of bond issues were not in the coffers of Wall Street, but had been distributed to investors throughout the country. To the extent that American banks and bankers had granted bank loans or overdrafts to the Allied Governments, such advances were secured, beyond peradventure, by ample collateral of international and realizable value.

3. Nothing was to be foreseen more plainly than that, if America entered the war, the ideal condition, above referred to, for profit-making would be checked (because our Government would step in and control prices, as it did); that enormous war-taxes would be imposed and primarily laid on the well-to-do and the rich, as they were; and that the financial burden bound to result from the war would keep taxes high for years to come.

Wall Street has been charged with many delinquencies but it has never been charged with incapacity to recognize its own advantage or disadvantage. Any Wall Street or other business man fomenting our entrance into the war because he calculated that it would redound to his financial advantage, would have been a fit subject for the appointment of a guardian to take charge of his affairs, apart from writing himself down morally as a peculiarly vile criminal.

Golden age of gathering war profits stopped in 1917.

4. As a matter of fact, the golden age of the gathering in of war profits stopped for American business with America's entrance into the war.

There may be isolated instances to the contrary, but, generally speaking, with income taxes and surtaxes rising to 77 per cent and, in addition to that, an excess profit tax rising to 60 per cent, and with the Government controlling prices, it was manifestly impossible for large profits to be retained through legitimate practices. If

there were any illegitimate practices, these were and are matters for the criminal law.

Moreover, certain branches of business and certain sources of profit practically ceased to exist during the war. Thus, for instance, the business of investment banking virtually came to a standstill, because the Government drained the market of available funds through its issues of war loans.

5. Criticism and complaint are frequently based upon the argument that, having conscripted men, we should have conscripted wealth, an argument which rests upon a sentiment that commands sympathy and is entitled to respectful consideration. Far be it from me to compare the loss of income or profits with the jeopardy of life or health, to which men on the fighting line are exposed, or to balance financial sacrifices against those willingly and proudly borne by the youth of our land in the late war. Still, it may not be amiss to recall that, while we conscripted approximately 4 per cent of our population (of which 4 per cent less than one-quarter saw actual fighting) we did likewise "conscript" the incomes of the wealthy by means of taxation to the extent which is measured by income taxes and surtaxes aggregating 77 per cent in the top "brackets," coupled with an excess profits tax of 60 per cent. And it may further be recalled that about four-fifths of our total war taxation was laid upon capital and business.

Cruel and absurd to attribute war to Wall Street calculations.

6. Fathers who are engaged in Wall Street affairs or other big business, love their children no less than fathers who are farmers or laborers. It is a cruel and absurd thought to attribute to men of wealth the hideously unnatural calculation that they would coin blood money out of their own and other people's children, that they would be willing to expose their sons to the terrible ordeal of war, in order to reap accursed profits for themselves.

And let it be remembered that in the last war the children of the well-to-do were taken in proportionately greater numbers than the children of the poor, because those young men who were needed at home to support dependents or to man essential war industries, were exempted from the draft.

The draft regulations discriminated not, as was too often the case in former wars, in favor of the rich man's son, but in favor of the poor woman's son.

III

I come now to Secretary Mellon's proposals for tax revision. Inasmuch as there is a consensus of opinion that taxes can and ought to be reduced, and inasmuch as the opposition to these proposals is confined mainly to the provision which would reduce surtaxes to a maximum of 25 per cent, I shall confine my arguments to that item.

Secretary Mellon's proposals.

In endorsing that provision, I am well aware that I expose myself to the suspicion of thinking and speaking from motives of personal advantage. I can only say that, to the best of my conscience and judgment, I have tried to free myself from any such bias. At any rate, the question is not what are the motives from which my arguments and conclusions spring, but whether those arguments are sound and those conclusions logical.

Secretary Mellon, in his reports to Congress and in his published letters, has stated his case with such admirable clearness and ability that I shall not attempt here to cover the same ground but shall merely endeavor to adduce a few supplementary points which the Secretary did not touch upon or, at least, did not elaborate.

IV

People of small means are subject, under the existing law, to a far smaller rate of income taxation in this coun-

try than those in any country of Europe. On the other hand, considering surtaxes alone, people of wealth in this country are subject to higher rates than those imposed in any country of Europe, not to mention the fact that "capital profits" are not liable to income taxation at all in England and in other European countries, while our taxation applies to all kinds of income or profits.

Our normal tax lower, surtaxes higher, than in Europe.

Our highest surtax rate is 50 per cent. The highest surtax rate in England is 30 per cent. True, England's *normal* income tax rate, *i.e.,* the rate payable by the man with a small or moderate income, is 22½ per cent (which is approximately from three to six times as high as our tax rate on small or moderate incomes); so that, when the normal and surtax rates are taken together, the comparison is less striking, the maximum being 58 per cent with us as against 52½ per cent in England.

But, first, as I have stated above, the English income tax is not as comprehensive as ours, in that we tax all profits from whatever source derived, while in England profits made by a person otherwise than in his regular trade are not subject to income taxation at all, thus encouraging the spirit and practice of venturing and development.

And secondly, there is, of course, a very significant difference between taxing the rich man 52½ per cent, when the man of small means pays 22½ per cent, as in England, and taxing him 58 per cent, when the man of small means pays from 4 per cent to 8 per cent, as he does here.

Moreover, the minimum income totally exempt from taxation is fixed here at a figure much more liberal to the man of small means than in England or in any of the other leading European countries. The fact is that altogether the emphasis of our income tax is not, as it is in Europe, on the broadly collected normal tax, but on the surtaxes collected from a relatively small number only.

Our theory and scale of taxation in respect of small and moderate incomes is fairer than the corresponding theory and scale in European countries, and greatly preferable to them.

But our just moderation in respect of taxing small incomes makes all the more conspicuous the unnecessary and harmful extreme to which we go at the other end of the scale.

Moderation for the benefit of all.

That we are able in this country to meet our budgetary requirements while placing but a very light burden of income taxation on those of small means, and practically none at all on families with incomes of less than $4,000 a year, is a fortunate and desirable situation.

But surely there must be some socially and economically sound reason for the fact that not one of the European countries has thought it wise to raise its surtaxes to the level of ours, notwithstanding the fact that their need for finding sources from which to draw revenue for the Government is far greater than ours.

That there is such a reason, or rather a number of reasons, Secretary Mellon has fully explained, and no man of acknowledged authority in economics has gainsaid him.

We are in the fortunate position of being able still further to reduce the tax rate on small incomes, while at the same time reducing the rate on large incomes to a figure which, though still high as compared to pre-war days, can be borne without harmful effect, will be paid willingly, and will have the effect of ending the tendency to seek refuge in the haven of tax-exempt securities, and of causing capital to undertake again in full measure the hazards of enterprise.

V

While it is not correct to say that taxes are always passed on, it is a fact that there is a natural and general

tendency to that effect and that, very frequently, taxes are shifted and, in the process of being shifted, are made increasingly burdensome. It is a fact that taxation, however laid, does mean, in its direct or indirect results, to a greater or lesser degree, a burden on all the people, and that excessive or clumsy taxation does translate itself into higher costs for all. The following interesting excerpts from an article published in the *London Magazine* more than a century and a half ago, *i.e.*, in the year 1767, may be appropriately quoted in this connection:

Excessive and clumsy taxation detrimental to all ranks.

> "Every tax does not only affect the price of the commodity on which it is laid, but that of all others, whether taxed or not and with which at first it seems to have no manner of connection. . . . The increase of taxes must increase the price of everything whether taxed or not, and this is one principal cause of the present extraordinary advance of provisions and all the necessaries of life."

VI

Taxes must be paid in cash. You cannot pay them by turning over to the Government book assets or bills receivable or inventories. But while the outgo in taxes is all cash, the incomes of most business is cash only to a limited extent.

Business men, of necessity, have only a limited amount of their capital in the form of liquid or quickly realizable assets. They are vital for the correct and safe conduct of business, and it is just these assets which are absorbed by surtaxes. In fact, one of the most unsettling and, in the long run, most perilous influences of excessive surtaxes is the undue and ill-regulated drain of cash away from its normal channels into the coffers of the Government.

Undue taxation absorbs cash resources essentially needed for business.

VII

While it is true, as Senator Couzens says in his recent correspondence with Secretary Mellon, that big business has been expanding and has found no difficulty in obtaining funds for doing so (though borrowing was, and is, unduly costly, largely in consequence of the high surtaxes), *there has been a distinct slackening in the starting of new and independent ventures.* This is a direct result of the fact that people will not—or cannot successfully—engage in such ventures, or cannot find financial backers for them, owing to the discouragement of the surtaxes.

The operation of the surtaxes, owing to the drain to which they subject those cash resources which are indispensable to the growth of a new business, has increased, and inevitably tends to increase, the advantages which large and established concerns have over the venturesome, enterprising newcomer and pioneer who heretofore was a characteristic and desirable figure in American business. In other words, high surtaxes unavoidably tend to diminish competition and to intrench and fortify those who are in established positions.

VIII

Nor would this situation be cured by the mere act of abolishing tax-exempt securities (quite apart from the fact that such a measure could apply only to future issues).

Capital must have adequate incentive.

Even if capital did not have the refuge of tax-exempt securities, its dynamics would be bound to deteriorate under the influence of extreme surtaxes, and some of it would sullenly resign itself to a much lessened return rather than venture into a game governed by the rule that the provider of capital takes all the risks of possible loss, all the burden of planning and of work and worry, but gets only a minor share of possible profits.

You can take a horse to water, but you cannot make him drink. You can starve capital, but you cannot make it take the risk, worry and effort of new enterprise, unless you hold out the eventuality of adequate reward.

Instead of stimulating and rewarding active, constructive, venturing capital, our existing taxation policy penalizes such capital and puts a premium on idle, lazy, timorous capital, by opening to it the haven of tax-exempt securities.

It is a policy which is in flat contradiction to every sound principle of economic and social policy as well as to plain common sense.

IX

With every desire to accord full and fair consideration and due respect to opinions differing from mine, I frankly fail to perceive how anything but purblind politics, or prejudice so stubborn as to run counter to the very interests it seeks, or professes, to serve, can stand in the way any longer of an adequate reduction of the surtaxes, in the face of the undeniable experiences obtained through the test of the last six years.

The element of the fitness of things.

There is a psychological element, which might be termed "the element of the fitness of things." It enters into the question of taxation. Every law of the land, of course, is binding upon, and demands obedience from, every citizen, whether he likes it or not. But, nevertheless, experience has shown that the completely effective working of a statute requires that there be behind it that moral force which comes from its being recognized, by right-minded citizens who are affected by it, as being within the bounds of equitableness and called for by the needs and the just regulation of the community.

It is illustrative of the action of that element that, during the war and for the first year or so after its con-

clusion, there was little endeavor, as proved by the income tax returns, by those subject to the higher surtaxes to avoid them, even though tax-exempt securities and other legally permissible means of mitigating the rigor of such taxation were available. Capital felt under a moral compulsion, in the face of extraordinary circumstances of governmental requirements, to resign itself to bearing extreme burdens.

During war capital submitted willingly to extreme taxation.

It was only when capital came to realize that these extraordinary circumstances, and with them the justification for extreme surtaxes, no longer existed; when it came to feel that the maintenance of such taxes was due not to the needs of the country but to political considerations or to class prejudice or sectional animosity, and that their continued exaction was something not far removed from economic violence—it was only then that capital took such steps as were lawfully open to it to escape from what it regarded as unwarrantably and unnecessarily burdensome taxation. This statement is clearly borne out by the following figures of surtaxes collected by the Government on incomes of $300,000 or above:

1917	$201,937,975
1918	220,218,131
1919	243,601,410
1920	134,709,112
1921	84,797,344

X

In December, 1920, two years after the close of the war, testifying before the Committee on Ways and Means of the House of Representatives, I said that "a tax which did not raise surtaxes and normal taxes together above a highest *average* rate of approximately 30 to 33 per cent would be a moderate and reasonable tax

under existing conditions and would be willingly paid by everybody and would not be evaded by investment in tax-exempt securities or by other means that are legitimately open."

I added that "this would mean that the highest 'brackets' might probably come as high as 40 per cent"—dependent, of course, upon the way in which the surtax schedule was graded, and assuming that our taxation system did not include a sales tax.

Taxation should be adapted to changed situation.

At that time, the general situation as well as the fiscal situation of the Government was wholly different from what it is now.

Men of means were not then justified (even though they believed, as I have always believed, that a reasonable surtax would yield at least as much revenue as a very high surtax), to advocate such a reduction in the surtax schedule as is now fully warranted both by the financial position of the Government and by the *since undeniably proved* fact that high surtaxes do not yield high returns to the Government. Furthermore, since that time, various measures of tax relief for the benefit of the masses of the people have been enacted, and additional and very substantial relief for those of small means is provided for in the Mellon proposals.

There is nothing inconsistent in the attitude I took in 1920, as above stated, and in the attitude I am taking now in endorsing Secretary Mellon's recommendation that the highest surtax rate be 25 per cent. The situation has definitely changed.

Government can easily meet its requirements with 25 per cent maximum surtax.

It is perfectly manifest that, with surtaxes not exceeding the rate of 25 per cent and with materially lowered taxes all round, the Government is able easily to meet its requirements. Under existing conditions, surtax rates higher than those recommended by Secretary Mellon

could not be looked upon as being required by the needs of the Government or as being the most effective means of producing revenue, but would be regarded as being dictated manifestly by considerations of politics or by a disposition to penalize success.

Moreover, when I contemplate a scale of surtaxes graduated to a maximum as high as, or even somewhat higher than, 33 per cent, I never suggested or thought that the *maximum* rate would be applied to incomes of $94,000, as the Democratic tax measure proposes, or even to incomes of $200,000, as the Republican measure stipulates. I thought then, as I think now, that the progressive scale of surtaxes ought to be spread over wide spacing of income "brackets," much wider than that represented by the difference between $10,000 as the lowest bracket, and $94,000 as the highest bracket, or wider even than that between $10,000 and $200,000. In other words, the application of the maximum rate, whatever it be, should, in my opinion, be confined to what may be ranked as *maximum* income classes. It seems to me manifestly incongruous that, under the theory of a progressive tax, a man with an income of $94,000 should be taxed at approximately the same rate as a man with an income of $940,000.

XI

Extravagance, log-rolling, the unwise and inefficient expenditure of money by governmental bodies count among the acknowledged foibles of democracies. The structure of our income tax schedules encourages these foibles, in that it creates, or encourages the belief that the great bulk of governmental expenditures is provided out of the pockets of the well-to-do, without materially burdening the rest of the community.

A stimulant to governmental wastefulness.

The formula of a very small normal tax and enormous surtaxes acts as a strong stimulant to wastefulness on the part of governmental executives, heads of departments and legislators, in that it tends to lessen their salutary qualms on the score of being held to account by the people for the resulting tax burdens.

It is all too invitingly easy to meet rising expenditures by giving the surtax screw another twist of a few per cent, or to maintain an exorbitant level of expenditures in normal times by leaving the surtaxes at rates which were meant to cover the needs of an extraordinary emergency.

By the opiate of such taxation, which *apparently* touches them but very little or not at all, the masses of the people are apt to be lulled into a sense of relative indifference to governmental wastefulness. But the facts remain awake and inexorably at work, and their working means, and has always meant, that governmental extravagance is visited not upon one class, but upon all the people.

Measures of economic faultiness, however well intentioned, have been more fruitful of harm to the people throughout history than almost any other enactment of government.

XII

If it is right in times of peace to have surtaxes as high as 44 per cent, which the Democratic Party's tax proposal favors, why stop at incomes of $94,000 or over, as that proposal stipulates? The vast majority of our people have incomes of less than $10,000 per year.

If the principle is admitted that in times of peace Congress may confiscate one-half of a man's income, provided it exceeds $94,000, there is no very long step to fixing the permissible limit of earnings altogether at some arbitrary figure. It does not require a very profound knowledge of human nature or of history, past and con-

temporaneous, to appreciate the fatally destructive consequences which would be bound to follow any such aberration.

XIII

It is often asked: "If it be true, as claimed by opponents of high surtaxes, that such surtaxes can be, and are, passed on, why should the rich be opposed to their continuance?" I would answer:

First, the contention that surtaxes are wholly passed on is just as untenable as the contention that they wholly rest upon the rich. Undue or unwise taxation is bound to be a burden, direct and indirect, on all the people, rich, in moderate circumstances, and poor.

Rich men no less concerned than others for country's welfare.

Secondly, strange as it may sound to certain ears, even rich men may be opposed to what they believe to be unwise and detrimental legislation, not for the reason that it concerns them selfishly, but because they are interested in the welfare of their country, because they have affection for and pride in it, and dislike to see its progress and prosperity hampered and retarded.

Thirdly, having to do with the practical affairs of life and being presumably men of good practical judgment (otherwise they would not have been likely to achieve success), they have perhaps a particularly vivid realization of the harmfulness and faultiness of our present method of taxation.

Fourthly, the degree of their own prosperity is necessarily bound up with that of the country's well-being; and even though, owing to a particular combination of circumstances, the country was prosperous last year and promises to be prosperous this year, notwithstanding the impediments of faulty taxation, they see in the existing taxation, and in what it implies, a grave interference with, and a menace to, the potentialities of American achievement.

Fifthly, rich men continue in business not merely for the sake of financial reward but also for the satisfaction and interest which they derive from constructive and enterprising activity. This is exemplified by some of the greatest and nationally most valuable developments and achievements of American business. But such activity becomes impossible or, at least, unduly hazardous and uninviting unless liquid funds can be accumulated; and it is a manifest fact that no adequate surplus funds *can* be available to any but the very richest men, after they have paid Federal surtaxes on the present scale and State and municipal taxes, and have provided for their personal and household expenses and for their contributions to charitable and other altruistic undertakings.

XIV

In conclusion, I should like to record the argument which I heard from the lips of one of the leading economists of the country at a public meeting a few weeks ago. It ran about as follows:

Extreme taxation of income in peace times not reconcilable with justice.

"Quite apart from all practical and economic considerations, I, a man of very modest means, cannot reconcile my sense of justice to the idea that it is right, in times of peace, for the Government to take in Federal and other taxes nearly 60 per cent of a man's income, or anywhere near that percentage.

"I believe such action is opposed to the common sense, and to the feeling of the fitness of things, of the great majority of the plain people.

"Moreover, the constructive liberality of our rich men in giving away large portions of their funds for charitable and public welfare purposes is proverbial throughout the world. Universities, hospitals, religious institutions, research work, the arts, etc., are

the beneficiaries of the wealth of our successful men to a degree which admittedly is approached in no other country. It seems to me that this is a point which may well, and indeed should, be taken into account in measuring the exactions which may fairly and wisely be placed upon wealth, in the way of surtaxes."

Inheritance Taxation

The observations which I have submitted with respect to extreme surtaxes hold good equally with respect to unduly high inheritance taxes.

Moreover, while I believe inheritance taxation within reasonable limits to be economically sound and socially just, much can be said for the contention that such taxation by the Federal Government should be reserved for use in extraordinary emergencies, and that in normal times that source of revenue ought to be left exclusively to the State Governments.*

The science of taxation condensed in Secretary Mellon's letter.

The whole science of taxation is condensed, applied and exemplified in the few hundred words of Secretary Mellon's first letter to Congressman Green containing his program for tax revision.†

It is the emanation of an exceptionally able brain, a straightforward character, and a trained business mind. It is the conclusion of a man who has behind him an honorable and eminently successful business career, who has come to a stage of life and position where self-interest has ceased to be even a temptation, and who calmly, wisely and courageously fulfills the tasks and duties of his high office in the service of the American people.

*For a fuller discussion of the author's views on Inheritance Taxation, see pp. 245-247.

† That letter was published and widely printed in the press on November 12, 1923.

What will be the action of Congress in respect of Secretary Mellon's proposals, I will not attempt to forecast. That the adoption of the main features of his program would confer a genuine boon upon all the people and enhance enterprise, progress and prosperity all along the line, I have not the slightest doubt.

A CURSORY SURVEY *

The baneful effect of the faults of the Peace Treaties.

IT is a deplorable fact that three years after the ending of the war, a survey of the world situation must still hark back to the errors of the Peace Treaties, the evil effects of which continue to stand in the way of recovery and of a return to normal conditions, psychological, political, economic, commercial and financial, in Europe and by reflex action throughout the world. I am referring not only to the ever-recurring trouble and turmoil of the reparation question and to such acute matters as the pending controversy about Upper Silesia, but to the fundamental conceptions and methods and purposes which found ill-omened expression in some of the work of the treaty makers.

What can America do toward aiding to mend the existing state of affairs, and how, for our own good and that of the world? Our people have wisely determined not to enter any international relationship conceived on the lines of the present League of Nations. Yet, both morally and from the point of view of our own interests, we are seriously concerned in the reëstablishment of normal conditions in Europe and the settlement of acutely disturbing questions.

To mention only one concrete instance, with reference only to its direct bearing upon America, the matter and the manner of the reparations to be met by Germany, is something which directly affects us. Unless Germany is permitted and directed to discharge her obligations to the Allies, mainly in furnishing raw materials and services, as far as she is capable of so doing, it is mani-

* A report made by Mr. Kahn to the Committee of American Business Men, on his return from Europe, August 31, 1921.

fest that she can meet the huge burden imposed on her only by a correspondingly huge expansion of her export trade. And such expansion, to the extent that it is feasible, can be effected only at the expense of the trade of the leading industrial nations, *i.e.*, primarily, America and England.

America can and should aid, while avoiding entanglements.

Of course, Germany must make atonement to the utmost of her ability. But the whole treatment of the reparation question at the Peace Conference in Paris and at the various conferences since, has been based either on a profound economic fallacy or on unwillingness to look unpalatable facts in the face, or on considerations of domestic political expediency.

Therefore, while keeping out of European political entanglements and preserving inviolate our freedom of action, it seems to me that we must take a positive part, both in counsel and in action, in aiding to straighten out a world still sadly out of gear. We are in the fortunate position of not having any axes to grind, of not seeking anything for ourselves which will not, at the same time, be of advantage to all the world.

We are not suspected of ulterior motives, and in the clash of conflicting interests and claims among nations and the, sometimes angry, divergencies of views and aims even among those who were comrades in arms but three years ago, our voice will be heard and our counsels heeded.

* * * * * * *

America looms large as factor in world affairs.

America looms so large as an actual, and still more a potential, factor in world affairs, that her domestic affairs form an appropriate subject for discussion in even a cursory survey of world matters. Our own house must be in order before we can be effective in those affairs abroad which are of concern to us.

It was inevitable that the artificially stimulated boom period of the war years and the period immediately

following should be succeeded by a drastic and painful process of readjustment to normal conditions, though it need not have been as drastic and painful as it was and, indeed, still is. At any rate, it seems to me the time has come when we should rouse ourselves out of the slough of industrial despond. And I believe we can do so with every assurance of succeeding if we make a determined effort and pull together and follow that road which is marked by the signposts of economic soundness. Some of these signposts are:

Taxation.

(1) A wise taxation policy. After all, the total sum required to be raised by taxation for our governmental needs, while vast in comparison with ante-war years, is relatively light in comparison with what it is in the principal countries of Europe, as proportionate to our wealth and population and theirs. The burden of taxation, direct and indirect, resting on the man of small or moderate means in America is many times lighter than it is in any of the leading countries of Europe. That is as it should be, and no revision of taxation would or should be considered by Congress which would relieve the well-to-do at the expense of the masses of the people.

If our system of taxation has been a strongly intensifying factor in bringing about the present situation of business collapse and unemployment and in retarding recovery, the reason is not so much the total size of our tax bill—though that, of course, was extravagantly swollen and must and will be greatly reduced—but the fact that taxation was dumped on the back of business and capital, most clumsily and crudely. We cannot expect to have a return to normal business conditions and vigorous enterprise, until we shall have corrected the most glaring, at least, among the faults of our present system of raising revenue.

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(2) A wise credit and loan policy. There has been altogether too much willingness in certain financial quarters to promote enterprises, to float securities for public sale and to facilitate business expansion when prices were abnormally high and a policy of caution and restriction was indicated. The concomitant of that attitude has been insufficient willingness or ability to grant loans and credits when the danger flag of unduly swollen prices had disappeared. Credit and loans.

In times like the present, the attitude of those who are in charge of the business of loans and credits should be one of active encouragement and of a ready willingness, within the limits of prudence and capacity, to extend adequate facilities to borrowers for legitimate needs at home and abroad. The time to use banking reserves boldly and freely, is when such use is most needed and most generally helpful, psychologically and actually.

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(3) A wise tariff policy. Our Government, during the war and for some time after, extended huge loans to European Governments—with undue and unnecessary lavishness, I venture to think. Private loans and credits have likewise been extended, to a large aggregate, to foreign applicants, both in European and in other countries, perhaps, in the case, more especially of the latter, not always with sufficient discrimination. The tariff.

Whatever may be the merit of suggestions put forward for dealing with the question, it appears manifest that public opinion and Congress are unwilling, at this time, to consider any disposition of the loans owing to the American Government by foreign nations, except their refunding.

But, we cannot eat our cake and have it. There are only a very few ways in which foreign nations can discharge the interest on the debts owing to us, let alone the principal, and of these ways the most available is to fur-

nish us with goods and services. Furthermore, if we want the foreigner to buy from us, we must be willing that he should also sell to us. Trade, in the long run, cannot be a one-sided matter of sensational export balances.

I am in favor of the principle of a protective tariff for America to the extent that its application is necessary to preserve our industries and the American standard of wages and living. But that principle can no longer be applied, with safety and advantage to the country and with fairness to the consumer, in the old-fashioned, somewhat haphazard and sometimes extreme way. New factors have entered into the problem which must be carefully studied and taken account of. And the American standard of wages and living, which we assuredly want to maintain and protect, does not, and cannot, and should not, mean that unnatural and fortuitous standard which resulted from the war and its after-effects.

In order to use the capacity of our industrial plants and to give full employment to our workers, we must make every effort to hold our own in the markets of the world. And that is possible only if the cost of production can be brought into line with existing conditions. To that end, the prerequisites are that waste and slipshod methods in business be eliminated, costs brought down, the "get rich quick and easy" period considered definitely at an end, and that both capital and labor (capital, in good faith, setting the example) recognize the need of adjusting their respective compensation to the circumstances which the country has to meet. All of us will be better off in the long run by getting away from an artificial level which has been of genuine benefit to no one and of considerable harm to a large fraction of our population.

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Aid to the farmer.

(4) Sound and effective measures to aid the farming industry. The vital importance of that industry and the

critical situation of the farmer, who for some time past has been receiving barely pre-war prices for his product while paying inflated prices for his needs and who, moreover, has been laboring under inadequate credit and distribution facilities, are so manifest that it seems needless to put forth any arguments on that score.

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The railroads.

(5) Second only to agriculture in national importance is the railroad industry, affecting, as it does, the public at large, the shipper, the investor and many industrial and commercial activities dependent on it to a considerable degree. It is greatly to be hoped that the long-pending settlement between the Government and the railroads will at last be consummated on fair terms and without further delay.

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Export trade.

(6) Cultivation of our export trade. That is a difficult task at best, in the face of depreciated currencies, cheap labor and other factors operative in foreign countries. It requires careful study of that field on the part of our merchants and bankers, and the setting up of organizations and methods to be as effective, and the training of men to be as competent and expert, as those at the disposal of our competitors.

It requires us to project our thoughts internationally and to establish serviceable affiliations and appropriate representation abroad. It requires coöperation and comparison of views and experiences among exporters and bankers, and also between them and the proper departments of the Government. The somewhat costly mistakes which have been made within the last few years ought to be turned to account as lessons for the future.

In connection with this problem, the question of what, if anything, can be done to "stabilize the exchanges" ought to receive the close attention of our Government and might profitably form the subject of an international

comparison of views or of a conference in which the American representative should be more than a mere "observer."

Without attempting to give more than a cursory survey, I have ventured to indicate some of the principal "signposts" as I see them.

The road lies before us, broad and straight. If we will take it resolutely, refusing to be enticed into byways or alleged shortcuts, we shall soon find ourselves within sight again of full prosperity and national well-being.

EUROPE AND OURSELVES*

IT is through the meeting of conflicting views in the forum of public opinion that truth is sought and ascertained in a democracy.

Some of the things I propose to say will not strike a popular note. It seems to me that, in these days, that is almost an additional reason why they should be said. There would be really little advantage in my taking your time to say those well-seasoned things, about which we are all in accord. To the extent, however modest, that my reflections and experiences may have any element of public interest or usefulness, the prerequisite is that I should state my convictions frankly and truthfully.

I plead guilty to the charge of being engaged in the business of banking, which includes, of course, international transactions, but I fail to see what ground there is for the assumption, somewhat vociferously enunciated from certain quarters, that because a man is a banker, therefore his views may be presumed to be tinged with a color less genuinely American than those of his fellow-citizens in other callings.

Divergent views should be heard with tolerance.

I venture the suggestion that, in these days when grave and difficult and, in some ways, unprecedented problems are pressing for solution, we are perhaps getting a little too prone to indulge in the practice of questioning and criticizing the motives of thought and action of those from whom we differ. And I venture to question both the desirability of, and the justification for, that tendency. Personally, I am convinced that the vast majority of individual Americans mean to do, and want their country to do, what they think to be right and fair. I believe that

* An address delivered before the Advertising Club, New York City, on March 15, 1922.

the motives of most of us are entitled to respect, and divergent conclusions to reciprocal tolerance.

I

The first subject to which I desire to refer is that of the indebtedness of many European nations to the American Government.

No way in which war debts can be paid in full.

While I am convinced that these debts are valid obligations, I know of no way in which they can be collected on the terms proposed by Congress, without consequences ruinous to most of our debtors and highly damaging to ourselves. By means of gold, raw materials or other assets usable by us, only a small fraction could possibly be paid. By means of services or the import of manufactured goods, we do not want them paid, because that would be disastrously destructive to our commerce and industry.

As to the suggestion that some of the British or French colonial possessions be transferred to us in part payment, America is the last country in the world which would claim that peoples and sovereignties are proper subjects of barter and to be transferred otherwise than by the voluntary action of all concerned.

Nevertheless, it would be quixotic and, indeed, not conducive to the best interests even of our European debtors if we were simply to relinquish these debts, or part of them, without further ado. Moreover, a certain portion of them do not represent war indebtedness, by any stretch of that term, but obligations incurred in the course of plain commercial transactions, such, for instance, as the purchase of silver from our Government by the British Government. *

* For a full statement of the author's view on the subject of the Allied Debts to America, see pp. 288-295. (PUBLISHERS' NOTE.)

II

The painful experience of the last two years has led to wide recognition among the people of this country that the economic welfare of Europe *is* part of our concern. The lesson has been writ in our diminished trade, in the plight of our farmers, and in unemployment, for all of which the state of Europe is partly responsible in a direct or indirect way. Indeed so drastic has been that lesson that the degree to which the condition of Europe reacts upon our prosperity is perhaps being rather overestimated than otherwise, nowadays.

World trade is interrelated

The world has become more and more interdependent, even though it is indisputable that this general truth is less applicable to this country than to any other. To quote from a recent speech of Mr. Reginald McKenna, the very able Chairman of the London Joint City and Midland Bank:

> "One nation, and still more a large group of nations, cannot be broken up and impoverished so as to destroy its ability to function, without throwing the entire machine out of gear. . . . The trade of each country is linked up with that of the whole world. Our own trade cannot recover its pre-war activity whilst so many countries continue in their present broken-down condition."

And he well exemplifies that world-trade-interrelationship by showing that if Russia, for instance, fails to make purchases of tea in China or India, as formerly, the result is to affect unfavorably the capacity of those countries to buy cotton goods from England, which in turn leads to a reduction of the purchases of raw cotton by England from the United States, and that again reacts unfavorably on England's business of shipping, banking and insurance.

III

What, then, are the main elements which stand in the way of the recuperation of Europe?

I believe the following to be the principal items:

Effects of the Peace Treaties.

(a) The so-called Peace Treaties concluded at Versailles, Saint-Germain, Neuilly, Trianon and Sèvres, respectively, between the Allied nations and the enemy states. It would be difficult to find a parallel in the history of treaty-making to the misjudgments and harmful effects of these instruments, from the point of view alike of the victors, the vanquished and the world at large.

They have created topsy-turvydom, economically and, to an extent, politically. They have laid the basis for interminable strife. They have overlooked, or arbitrarily set aside, the historical logic of centuries. They have torn asunder races that belong together, and flung together races that belong apart. They have set up sovereignties and economic controls ill-contrived, disingenuous and untenable. They have brought about conditions which have impaired consuming power everywhere, and in some countries practically destroyed it, while freakishly stimulating or depressing producing power.

It is one of the tragedies of history that President Wilson had the true vision of a wise and just peace, but failed sadly in realizing that vision.

While these "devastating" treaties have few defenders left, still, it is not to be expected that they, except the treaty with Turkey, will be formally revised. Such modifications as they must and will undergo in practice, will be effected rather by the silent workings of circumstances and events and the pressure of enlightened public opinion.

The most conspicuously troublesome of the many ills engendered by the Peace Treaties is the matter of the reparation to be exacted from Germany.

I believe the great majority of competent and candid

persons everywhere have reached the conclusion not only that the reparation sum, as fixed in the ultimatum of London last May, is greatly beyond Germany's capacity to pay by whatever means, but that insistence on that sum is causing grave damage to the Allied nations themselves and, indeed, to all the world.

Economic effects on the world if German reparation terms persisted in.

If it were possible for one nation to pay to others so vast an amount as 132 billion marks in gold or its equivalent, it could be accomplished only with results pernicious to the industry and commerce of the recipients and violently upsetting the natural and proper operations of economic intercourse among the countries of the world. Among other things, it would, of necessity, so depress the standard of living in Germany that the other nations would find themselves, on a vast scale, face to face with the same problem which is at the bottom of the animosity of our own Pacific Coast States against Japanese immigration, *i.e.*, competition based on a standard of living which is not, and ought not to be, acceptable and tolerable.

* * * * * * *

I am satisfied that one of the first conditions, indeed *the* first, for the economic recuperation of Europe in general, and particularly of all of Europe east of the Rhine, is a revision of the reparation settlement on the lines, not of misapplied leniency, but of clear-sighted, businesslike recognition of the realities.

I do not speak from any tender regard for Germany, and I am far from under-appraising the atonement all too justly due from her. I do speak from what seems to me the compelling consideration of plighted faith, as expressed in the terms upon which Germany laid down her arms, and from the matter-of-fact consideration of what is economically practicable, instead of being, as is the present status, economically visionary and, practically, a Pandora's box emitting troubles throughout the world.

(b) The state of things in Russia. This must be mentioned in any enumeration of the obstacles standing in the way of Europe's return to "normalcy," but it is a separate chapter.

"Spite-fences" put in path of intercourse between European nations.

(c) The barriers, interferences, "spite-fences" and chicaneries put in the path of free and natural trade and intercourse between the nations of Europe. With the disruption of the Austro-Hungarian Empire and its splitting up into several independent States, with the setting up of various States that formerly were part of the Russian Empire, and in other ways, not only have a dozen and more customs lines been created where but few were before, but the spirit and method of their functioning has been largely of crudely selfish narrowness and reciprocal ill-will and suspicion.

(d) Failure to balance budgets, and deterioration of monetary standards by resort to the printing presses.

(e) Disordered and fluctuating exchanges.

(f) Maintenance of excessive standing armies, and a corresponding mental and moral attitude.

IV

It would seem to me that, without entangling ourselves by any "covenanted" association with the affairs of Europe, we could and should effectively use our material and moral influence to aid in removing the causes which stand in the way of her stabilization and normalization.

One of the means at our disposal toward that end is the huge indebtedness to us on the part of European nations. Correlatively, there can be no doubt that if these nations were bluntly to be called upon, and were really to undertake, to repay their indebtedness, in full, with accrued and accruing interest, their return to a state of fiscal and economic equilibrium, except in the case of

Great Britain, would be indefinitely delayed if not rendered impossible.

Abatement of claims all-round requisite.

And if we mean to advise, in a friendly and informal way, as there seems reason to believe is the disposition of our Government, that that ceaselessly disturbing element, the matter of the reparation claim against Germany, be adjusted on lines which must mean concessions from what the Allied Governments, and especially those of France and Belgium, consider their rights, how can we escape the logic of a counter argument on the part of those nations: "If you wish us to abate our claims against Germany, what about abating your claims against us?"

Does it not seem the part of right and wisdom that we should so adjust and utilize our monetary claims against the Allied nations—besides utilizing a portion of our redundant holdings of gold, and every other legitimate and consistent means at our disposal—as to aid in bringing about that change of attitude and of conditions in Europe which is indispensable if the world is to be again on an even keel, and which cannot be hoped for, at least in the early future, except with the moral and actual coöperation of America?

* * * * * * *

Furthermore, seeing that the nations of Europe find themselves in a snarl which, hampered as they are, by racial entanglements, jealousies, apprehensions, considerations of domestic policy, and so forth, they find the utmost difficulty in unraveling, seeing also that they have confidence in our disinterestedness and well-meaningness, I would venture to submit to your consideration the following questions. I admit that my own mind is not yet entirely clear as to the answers which they ought to receive, and I should add that I have always been opposed, and am opposed now, to our joining the League of Nations in the form, meaning and substance in which it came to us from Versailles.

Would it not be consistent with American traditional policies, with the preservation of our enviable position of freedom from entanglements in Europe, with the spirit of the verdict of the last Presidential election, and in conformity both with altruistic duty and self-interest, that we do the following things?

(1) Have an American representative officially on the Reparation Commission (on which we have always had, and now have, an admirably qualified but unofficial delegate) and on such kindred commissions as are destined solely to settle controversial questions. To participate responsibly and formally in their deliberations and conclusions would not involve any tangible commitment for America, inasmuch as these commissions, in their conceptions and functions, are essentially akin to arbitration bodies.

(2) Could we see our way to go one step further, and while emphasizing unmistakably our continuing and definite refusal to join the League, be represented, with all due reservations, *informally and unofficially,* and without exercising any vote in the meetings of the League of Nations and certain of its committees? It is conceivable that from such contact there might result such a readjustment of the constitution and nature of the League as to give it the character of an association with which we should be justified ultimately in establishing official connection.

(3) Or, if unwilling to have any active relationship of whatever kind with the League as now constituted, has not the time come when it is fairly incumbent upon us to indicate precisely and officially what are the terms and conditions upon which we would be prepared to take part in an international organization, destined to serve international justice and welfare, to aid the maintenance of peace, and to promote understanding and good will among the nations, but so circumscribed in its functions and

powers as to involve no approach to an international super-government, or any moral or actual interference with the untrammeled sovereignty of the peoples entering into such an association?

I am asking these questions for the purpose of eliciting discussion at this meeting. I confess that, except as to question No. (1), I am not wholly clear in my mind, at this moment, with which side I would ally myself in that discussion.

V

I have passingly referred to the Russian situation in a way which may lead you to think that I intend to dodge this ungrateful and somewhat perilous issue. Such is not my intention. Having ventured into the field of international relationships, I do not mean to let even the Bolshevists stop me.

While everyone recognizes the importance of the normalization of Russia and of the restoration of her consuming and producing power, and while the opening of the opportunities which that country offers would be welcome, we cannot purchase these things at the expense of character and principle.

The American Government and the Soviet regime

Our Government, I feel sure, will not extend, and the vast majority of our people would not wish it to extend recognition to the Soviet regime until it has complied unmistakably with the requirement of adhesion to certain fundamental principles of national and international conduct. These principles have been well and plainly defined in the notes issued on that subject by Secretary Hughes and his predecessor, Secretary Colby.

By contrast, it seems to me that the conditions laid down by Messrs. Lloyd George and Briand as prerequisites to the admission of the Soviet representatives to the Genoa Conference, are characterized by rather too much regard for the merely material interests of the

British and French peoples and rather too little consideration for the wretched plight of the Russian people and for those ethical bases upon which all proper relationships must rest.

But while withholding, as matters stand, official recognition from the Soviet Government, we should, I believe, leave nothing undone to get into contact with the Russian people. Our duty as well as our self-interest calls upon us to aid that people to find the way out of its wretchedness.

Trade intercourse with Russia desirable.

One of the most effective remedies against oppression and tyranny is to let in the outer air of freedom. As far as we can control it, I would have such of our people as so desire, go into Russia freely, not by any means as propagandists against the existing government, but to establish human intercourse. And the best means to accomplish that is by establishing trade intercourse.

Reciprocally, I would open our doors to Russian visitors desirous of having intercourse with us, whether they be Bolshevists or others. Our Government would forbid anything in the nature of propaganda and rigorously enforce that decree. Moreover, beyond all question, all but a trifling percentage of our people are far too sane and too firmly attached to American institutions to be open to Bolshevist contamination.

If the aim of giving effective aid toward restoring Russia and bringing back bearable conditions for her people is worth accomplishing, if it is good, helpful, humanitarian, and at the same time desirable from the point of view of due and just regard for the future position in Russia of our industry and commerce, we should be willing, it seems to me, to take a step which, while it does not mean *de jure* recognition of the Soviet Government, does mean a certain degree of *de facto* intercourse with it. We have, in fact, such intercourse now in connection with the American relief work in

Russia. The step I mean is to let their Trade Commissioners come here and to dispatch American Trade Commissioners into Russia.

In suggesting that measure I have in mind not merely the economic advantages that would accrue from it, but equally the service we should be rendering the Russian people in helping to tear down the barriers of non-intercourse with the civilized world, within which fanatical Bolshevism, aided by faults of policy on the part of "Allied and Associated" statesmanship, has kept Russia for years.

No germs are as contagious as those of the spirit, and the abhorrent aspects of Bolshevism would, I feel convinced, not be able to endure in the atmosphere which would sweep into Russia, once the doors, so long closed, are opened again.

I have little faith in the efficacy of narrow self-protection, overcautious reserve and cold diplomatic correctness in the face of a world seething with turmoil and gripped by distress. I do have faith in the virtue of the ancient injunction to "cast thy bread upon the waters."

A sick world.

For three years the world has been sick, most gravely sick. The treatment applied to it hitherto by the corps of physicians in charge, *i.e.*, the statesmen of the nations, has not caused it to get well. I wonder whether it would not be worth while to try an entirely new medicament, composed of the ingredients of what I might term audacious kindliness, of mercy, faith, forgiveness and trusting appeal to the better self of mankind.

A FEW POINTS CONCERNING AMERICA AND EUROPE *

English carrying more than their share of world's burdens.

I AM well aware that there are few things a Britisher cares less to hear than praise.

However, it may be permitted to a sincere friend and well-wisher to record his admiration of the wisdom, courage, and ability with which the English people, beset with difficulties and carrying far more than their share of the world's burden, are meeting their problems, and to offer his congratulations on the progress accomplished under most trying conditions.

True, normal conditions have not yet returned, much remains to be done, and hardships remain to be borne. But what England has done, and the qualities and the spirit she has demonstrated in doing it, give welcome and indubitable assurance that the ship is headed the right way, that the crew is staunch and hardy as of old, and that, when the smoke of the war and its aftermath will have cleared away—and no one else is doing as much to help clear it away as England—the nation will be found reëstablished in prosperity and unimpaired in her greatness and might.

You want me to express my views as to what, if anything, there is new in America from the aspect of her relations to Europe.

Let me answer this by first stating two things which are not new:

(1) As far as I can judge, America has not repented of her refusal to enter the League of Nations in the form and meaning which were given to that Covenant

* An article in the *London Times* of May 23, 1922.

in Paris in 1919. Everything that has happened since has only tended to confirm her estimate of the wrong-headedness and shortsightedness of the Peace Treaties, with which the League of Nations was deliberately intertwined, and of which treaties it was designated the guarantor and, more or less, the executant.

Continuing dispeace in Europe cannot be laid to America's absence from the League.

Nor does predominant public opinion believe that, even if America had joined the League, we could have been effective to any materially greater extent than we might be outside the League, in ameliorating conditions in Europe. The inability of Europe to settle down arises primarily from the terms and conditions of the Peace Treaties (as Mr. Lloyd George in March, 1919, foresaw and vainly argued would be the case), and no effective redress is available except by the unanimous consent of the nations concerned.

Events have shown clearly enough that such unanimous consent for adequate measures is not obtainable—at least, not yet.

Treaties more harmful to England than to any other Allied nation.

The Peace Treaties have resulted, as was inevitable, and plainly to be foreseen, in throwing the economic and social life of a large part of Europe out of gear, and in gravely crippling the producing and consuming power of the people of those countries. Inasmuch as England, beyond any other country, is dependent for her prosperity upon trading with all the world, the errors of these treaties have been more harmful to her than to any other nation except the former enemy countries. Some one has termed the treaties "devastating." So they are. England's unemployed are her "devastated regions."

America has no wish to minimize the share of responsibility of its own representative, Woodrow Wilson, for the lamentable outcome of the Paris Peace Conference, although the more the proceedings of that Conference come to the light of day, the more it would seem apparent that he did aim sincerely, however ineffectually, to bring

about conditions which would have tended to a more rapid healing of the wounds of war.

But, while admitting such responsibility, to the extent that it exists, the majority of the people of America do not consider that the European nations have a just grievance against her for her refusal to ratify the treaties and conventions to which Mr. Wilson set his signature.

The American Constitution specifically provides that the President can conclude no binding treaty except with the approval of not merely a bare majority, but a two-thirds majority of the Senate. And, to boot, the American people, just prior to President Wilson's departure for Europe in November, 1918, gave unmistakable warning and public notice of their dissent from his leadership, by rejecting his appeal for a vote of confidence and electing a House of Representatives and a Senate committed to oppose him. *

As to the Genoa Conference, America sympathizes warmly with the aim of Mr. Lloyd George to bring about a surcease from strife in harassed and tormented Europe, and applauds and admires his indefatigable and resourceful efforts toward that humanitarian aim. But she believes that more of the necessary preliminary spadework must be done by the European nations themselves, before America can usefully lend a hand toward erecting a serviceable structure.

America not callous toward Europe.

That does not mean that America is callous to, and selfishly uninterested in, the troubles of Europe. On the contrary, the recognition from the moral and practical points of view that, though unwilling to assume entangling commitments, we cannot, and ought not, to dissociate ourselves from the affairs of Europe has become more widespread and more clearly defined, and it may be hoped and expected that under the leadership of

* For a fuller discussion of this point, see pp. 363-366.

President Harding and Secretary of State Hughes this recognition will take tangible shape.

(2) It would seem useful to point out that, and why, American capital, under existing conditions, cannot be greatly tempted by business opportunities in Europe. Unlike most European countries, America does not have to seek venturing and pioneering opportunities and rewards outside her own borders. Unlike England, particularly, she is not under the compelling necessity to send her capital, her enterprise, and her men throughout the world.

The American home market for capital.

The opportunities within her frontiers are still well-nigh unlimited, and her home market is almost fantastic in its absorbing power.

Hence, there is relatively little inducement as yet for American capital to sally forth in Europe in quest of business opportunities, and it would seem to follow that Europe's bidding for American financial coöperation must rather take the shape, at least for the present, of offering safe investment opportunities at particularly attractive rates. It is, of course, quite conceivable that, after a lapse of time, pressure of accumulating funds, and other circumstances, may cause a certain portion of American capital to become actively interested also in business ventures in Europe.

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Washington Conference has removed potential sources of friction.

I have set forth, as I see them, two groups of facts tending to limit America's active participation in the affairs of Europe. I will now, on the other hand, point out a few recent developments favoring American coöperation in European reconstruction:

(a) Not only has the Washington Conference, recently concluded, eliminated what a large portion of American public opinion considered as possible tangible sources of friction between Great Britain and America, but the intercourse between the British Delegation and American public men and representatives of the press, and the

spirit and attitude of these delegates and of the Government for which they spoke, have made and left the happiest impression, and gone far to remove ancient and deep-seated misconceptions or prejudices held popularly and, to an extent, even in official circles.

For that most welcome and fortunate result too much praise and credit cannot be given to Lord Balfour. The rare charm of his personality, his transparent sincerity of purpose, his tact, skill, and intellectual power, all combined to make his stay in Washington a unique and highly beneficent success, of very real value in furthering the cause of Anglo-American understanding and coöperation. It is rare, indeed, that it is given to one man to be so effective a power for good in influencing relations between two great peoples.

Coöperation and confidence between England and America.

While it would not be truthful to say that all the elements which seek to cause disharmony between England and America have been vanquished, and that the effects of the deplorable disillusionment resulting from the Peace Treaties and the *post-bellum* state of Europe have ceased to be operative in America, yet we are nearer than we have ever been, in my recollection, to a policy of genuine and whole-hearted collaboration with England.

And there can be little doubt that there has been a distinct and important widening of the circle of those in America who recognize what the pursuit of a policy of frank and cordial understanding and reciprocal confidence between England and America will mean to the peace and welfare and progress, not only of the two countries directly concerned, but of all the world.

(b) One of the most interesting and significant developments of the recent past has been the organization of a large proportion of the farmers of America, under able and efficient leadership, for the purpose of making a broad and thoroughgoing study of the problems of the agricultural industry, of bringing about, by coöperation

and by legislation, more stable and propitious conditions, and of finding, and causing to be enacted, remedies for those things which stand in the way of the greatest obtainable measure of prosperity for the farming class.

The farmer, heretofore, has been one of the factors making for American "provincialism." Europe came very little within his ken or the circle of his interest. Now, one of the first results of the studies undertaken by the bureau which he has organized has been to convince him that the reciprocal trade relations between Europe and America do concern him very distinctly.

American farmer taking interest in European trade.

Indeed, he has learned that they concern him, even more than they do the American manufacturer, because if the manufacturer cannot export his surplus production to Europe he can endeavor to export it to South America, or to other non-European countries. Or, if it must be, he can reduce his output. But for the surplus production of the farmer there is practically no other outlet than Europe, inasmuch as most of the non-European countries produce sufficient for their own needs or are themselves exporters of farm products.

Consequently, the consuming, *i.e.*, purchasing, power of Europe, is more and more getting to be an object of lively and intelligent interest to the farmer. He realizes that under existing conditions that purchasing power is greatly crippled, and will remain crippled until they are remedied. He is also being shown by his advisers that trade means swapping goods and services, and that Europe can buy from America only to an extent commensurate with America's willingness to take goods and services from Europe, or giving credits to, or making investments in, Europe.

America has become a large-scale bond buyer.

(c) Prior to the war, the American public was not in the habit, broadly speaking, of investing its accumulations in the purchase of fixed-interest-bearing obligations. According to reliable statistics, there were but

400,000 individual owners of bonds in the United States in 1914. Within the last eighteen months, however, with characteristic abruptness and intensity, America has become a bond-buying nation on a huge scale. The main reasons for this metamorphosis are:

First, Our enormous holdings of gold, on the one hand, and severe trade liquidation, on the other, have created a vast amount of liquid capital pressing for employment.

Second, Our principal bond-selling firms and institutions, following the methods created in connection with the sale of war bonds in 1917 and 1918, have been engaged in a typically American educational and distributing campaign, traveling bondsellers in Ford cars penetrating into almost every nook and corner of the land.

Third, Owing to the extreme exactions of our income taxation (which, on very large incomes, is higher than it is even in England, and which, contrary to the English method, is applicable to all profits) new enterprise in America has been greatly diminished. Existing businesses are going on and expand, but the man thinking of starting on the hazards of a new undertaking thinks twice and more than twice, considering the fact that, if he succeeds, but a fraction of the reward goes to him, the balance being taken by the Government in taxes, while, if he loses, he is the sole loser.

In many instances, he reaches the conclusion that the rules of the game are all too one-sided against him, and that he prefers not to play. Consequently, large amounts of capital, which heretofore used to go into starting and supporting new ventures, are now flowing into the bond and shares market.

Investment demand overflowing American boundaries.

The immense investment demand thus newly created in the United States, seeking satisfaction and attractive rates, has overflowed the American boundaries, and, aided by the missionary work of bankers and exporters, has lately, for the first time in American financial history,

directed itself on a large scale toward the bonds of foreign countries. The effects are not only economic, but also sentimental.

Just as our farmers' interest in European affairs has been greatly stimulated by their clearer recognition of the indispensableness of Europe for the absorption of their surplus crops, so many thousands of American investors have had their interest in Europe awakened or quickened by having a financial stake in this or that foreign country.

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On the whole, then, I believe, while the overwhelming verdict rendered by the American people in the Presidential election of 1920 against entanglement in the political affairs of Europe, stands, and will stand, there is developing a tendency against too rigid and sweeping an interpretation of that verdict, and an increasing recognition that America, without departing from her traditions and fundamental policies, should take her due part, by counsel and practical aid, toward the recuperation and the settlement of the economic problems of Europe, provided that the Continental European nations themselves will clearly demonstrate that they mean to do the part incumbent upon them toward that end, both in action and in spirit.

CONCERNING BRITISH-AMERICAN RELATIONS *

Relationship between England and America sheet anchor of world peace.

I AM one of those Americans—there are many millions of us—who do not spring from British stock. But in assuming the duties, responsibilities and privileges of American citizenship, we have fallen heir not only to the greatness and the opportunities of our adopted country, but also, as members of an English-speaking nation, to the immortal legacy of the cultural achievements of the British stock, and we value and cherish that legacy no less than if it had come to us as a birthright. And many of us belong to the fortunately steadily increasing number of Americans who look upon sincere coöperation, genuine understanding and active friendship between Great Britain and the United States as the very sheet anchor of the world's peace and welfare and as transcending in importance and in power for good any other international relationship.

I have not planned, and I am not prepared, to make a formal address. In fact, I thought that my friend General Sherrill, who is a very eloquent speaker and a very interesting one, was going to have that task and that all that was expected of me was to make a few more or less appropriate and distinctly short remarks following the lead that he would give. Therefore, being now called upon to speak first, I must beg your indulgence if, for lack of preparatory reflection, I confine myself to a few rather disjointed and quite informal observations.

I shall not speak about the European situation in gen-

* An address delivered before the British Empire Chamber of Commerce of the United States at a luncheon meeting at the Bankers' Club, New York, January 17, 1923.

eral, except only to refer to the fact that the conceptions of England and America as to what could and should be done to adjust the most acute and menacing of the problems which confront Europe, are largely identical, and to express the ardent hope that counsels of enlightened moderation may yet prevail on the European Continent before it is too late.

England's resolute performance of difficult duty.

I should like to add merely, in reference to recent events in Europe, that I know of no finer act of resolute fulfillment of a difficult and dangerous national duty than what was done by England a few months ago in throwing herself single-handed into the breach at the Dardanelles, taking upon herself the risk and burden of facing what she then faced and standing inflexible and alone to stem the onrushing tide of the victorious soldiers of Turkey.*

Nor will I speak, on this occasion, about the financial indebtedness of the Allied nations to America. The matter is now in the hands of eminently qualified commissioners from England and from the United States. I am entirely certain that England will ask nothing but what is fair, honorable, reasonable and businesslike, and I am equally certain that America can do no less, and will do no less, than grant what is fair, honorable, reasonable and businesslike.

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Our interest in British prosperity.

It seems fitting, before this gathering, to say a few words on the subject of trade relationship between England and America. Of course, it is needless to point out to you that England is our best customer. The mainte-

* PUBLISHERS' NOTE: This passage refers to the episode when the Turks, flushed with victory over the Greek army, attempted to take possession of Constantinople with the evident purpose of resuming full and uncontrolled sway over their pre-war territory in European Turkey —an undertaking of far-reaching menace to peace, which was frustrated by the determination of the British Government, and the courage, calmness and wisdom of those in command of the British forces on the spot, notably General Harrington.

nance of the purchasing and consuming power of England is of very direct concern to us. The prosperity of England is next in importance, from the commercial point of view—and indeed from other points of view also—to our own prosperity. True, we should have and we shall have competition, fair, active, vigorous competition. That is good for nations, as it is good for individuals. But it should be natural competition. It should not be anything that is artificially stimulated by undue means or to an undue extent. It should be on the basis of "live and let live."

There are certain lines, certain activities, in which England necessarily must be able to serve or produce more cheaply or more effectively than we can. There are other lines and activities about which the reverse is true.

England's export trade a vital need.

We must always bear in mind that for England a vast export trade is an absolutely vital necessity. She cannot exist without it. A small, unfertile country, treated by Nature in a rather stepmotherly way, except for her iron and coal, she has developed her world commerce and finance under the stimulus of compelling national necessity. To continue as a great and populous nation, she is dependent upon the constant exercise and exertion of those great racial qualities and traditional characteristics which have made her what she is.

She lives upon what she exchanges with other nations in the way of goods and services. Adequate trade along those lines is nothing less than vital to her. Without it she could not survive, because for much the larger part of the food and raw materials which she needs she is dependent upon importations from abroad.

That is not so in our case. America, however desirable and important the cultivation of her export trade, is not vitally dependent upon it in the same sense as England —being given our immense home market, our vast natural resources, actual and latent, our immense territory

still offering abounding scope for development, and our capacity to take care of a far larger population than we now have.

It is to our mutual interest to accommodate one another and avail ourselves of one another's effectiveness. We should aim to supplement, not to supplant, one another.

We Americans should also bear in mind that having become a creditor nation, we have got to fit ourselves into the rôle of a creditor nation. That means a logical and inevitable development along certain lines, as it did in the case of England. One of these developments is that we shall have to make up our minds to be more hospitable to imports.

That does not mean that we must or shall permit ourselves to be unprotected or inadequately protected. It does mean that we shall have to gradually outgrow certain inherited and no longer applicable views and preconceptions, and adapt our economic policies to the changed position which has resulted from the late war.

Example set by England as creditor nation.

Another of these consequences of our new position, as a creditor nation, is that we shall have to use a portion of our funds—again as England did (and there has never been a wiser and more effective use of the position of a creditor nation than that exemplified in the economic history of England)—we shall have to use a portion of our funds to aid the development of other countries.

It is both our interest and our duty to see that some of the capital accumulated here is used in a broad and wise manner for the commercial and economic furtherance of other nations. Wherever we help a nation to develop, there our trade will develop, too. The growth of other nations, far from harming us, will always be a benefit to us as long as we properly understand and fulfill the part which a creditor nation should play in the

world, and the duty and the responsibility which are imposed upon us by our position.

In that way there is a great field for common effort between England and ourselves. I am quite certain, from all that I have seen in England, from the disposition of many influential men with whom I have talked on the subject, that there is every desire to work hand in hand with America in such financial and commercial enterprises as we can handle in common.

There is much that we can learn from England who has gone through the school of experience—a very costly school it always is—for generations. In many ways we can do jointly far more effective work and at much less cost to ourselves than if we determine upon "going it alone." We went forth alone somewhat impetuously in 1920, and the lesson has been a pretty expensive one, as some of us know.

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Now a few words as to the matter of exchange:

England facing her problems with courage and wisdom.

England has faced, and is facing, the problems confronting her—and Heaven knows they are many and they are difficult and they are trying—with magnificent courage, with resolution, wisdom and resourcefulness. For many years now, it has been somewhat the fashion to proclaim that England is on the decline, that poor old John Bull is going to the dogs. Even among Englishmen, with that tendency to self-deprecation which is inherent in the race, quite a number were to be found who joined in that gloomy chorus.

For thirty years past, whenever I crossed the ocean, I have had pointed out to me how England was fading and sinking. Either it was those dreadfully efficient Germans who were ruining England's trade, or it was the Japs or the Yankees, but somebody was always ruining England. And all that time she was to be found at

the old stand doing business in her old, wise, honorable way.

In despite of dire predictions in pre-war days, throughout the dreadful strain of an appalling war, beset with trials, tribulations and problems since its close, she has stood four-square to all the winds that blow. And so she stands today, warranting unabated faith in her future, the same old England still; a little weary, but game to the core and bending resolutely to the task to be done; the truest of democracies, disciplined in the use of liberty and tempering it by wise tradition and by self-restraint.

It is not the possession of raw materials and other latent resources, it is not the bounty of Nature, it is the attributes and efforts of its people that make a nation great. It is the qualities of her people that have made for England the position which she occupies in the world.

Rate of exchange indicates degree of world's confidence.

It is one of the results of these qualities that British exchange—alone among the exchanges of the European nations that were engaged in the World War—is today almost normal and will be entirely normal, I feel certain, before very long. Under existing circumstances, the course of the exchanges is determined rather less by strictly economic than by psychological factors. Apart from those tangible considerations which enter into it, the rate of exchange indicates the degree of confidence which the world has in the situation of a country, and which its own people have in its situation. When Mussolini came into power, Italian exchange went up. When the French marched into the Ruhr district, French exchange went down.

But the most striking illustration is the case of Germany. Germany has in the coffers of her Reichsbank still approximately $250,000,000 in gold. That is enough to retire the total existing German paper currency about

four times over, at the present rate of exchange. Of course, the sword of Damocles, in the shape of inconceivable reparation claims, is hanging over the head of Germany, but still its currency would not have sunk to a valuation of one-fourth of the gold actually in the hands of the Reichsbank if it were not for the world's utter lack of confidence, and particularly for the fact that the German people themselves have no confidence in the token which bears the stamp of their Government.

Why British exchange is rated so close to normal.

As a contrast, you have England, with the Bank of England holding an almost ludicrously small sum of gold as compared to the vast edifice of credit and currency which rests upon that slim basis. And yet, because the world has confidence in England, because it knows and respects the ability and character, the integrity, standards and principles, and the sagacity of England, and has faith that nothing will make her depart from those wise and honorable traditions which have come down to her through many generations, however heavy the burden of maintaining them—it is for these reasons, primarily, notwithstanding the relative smallness of her gold reserve and notwithstanding the many difficult problems which confront her, that the world values British exchange at a point so close to the normal.

The fact that at this moment, when the exchanges of the countries of the European Continent are slumping, British exchange holds steady and firm, indicates that people from other countries are sending money into England, because they see in England the best place, outside of the United States, for the safe keeping of their funds. It indicates that, not for the first time, capital takes refuge in England in reliance upon English wisdom and soundness, English commercial honor and the permanence of English institutions. It indicates the world's belief in England's present and future and in the qualities

and characteristics which are deep-rooted in that great race.

* * * * * * *

As England and America stood together in 1917 and 1918, as they stand together now for peace and for enlightened moderation in dealing with the troubled affairs of the world and in pointing the way, and the only way, out of the turmoil, strife and wretchedness which oppress the nations of Europe, so, I do most earnestly hope and pray, may these two mighty nations stand together always, for their own good and for the good of all the world!

AN "INTERNATIONAL BANKER'S" VIEW OF THE LEAGUE OF NATIONS *

BEFORE speaking on the topic which I am to discuss, I should like to clear up two points:

1. Whenever a dweller in the financial district of New York ventures to put forth an opinion, publicly expressed, on the subject of America's attitude toward the European situation, a hue and cry arises from many quarters, "Beware the International Banker!" whereupon the venturesome one is assailed and cast into outer darkness, together with his views, unheard or only half heard. It may seem strange in the face of this time-honored usage, to assert that it is all a case of mistaken identity. Yet such is the fact: for there is no such thing as an "International Banker" in America, as the term is generally understood.

"International Banker" misleading term.

He exists in the imagination of people all too numerous, but he does not exist in the flesh. You might just as well speak of the "International Farmer" because the farmer sells a certain percentage of his crops to Europe, or of the "International Manufacturer" because some of his products are exported to Europe and some American manufacturers maintain branch establishments or agents in Europe, or of the "International Merchant" because he imports goods from Europe.

The banker maintains, and can maintain, international contact, and conduct international business, only to the extent that American industry, commerce and agriculture are international.

* An address delivered before the Rochester Chamber of Commerce, Rochester, New York, May 23, 1923.

True, the banker must take within his purview, continuously, the conditions of affairs and the currents of things throughout the world, but so must the exporter and importer, and so must the farmer take into account the prices and tendencies of the world market in Liverpool.

The last annual report of the Department of Commerce states that in one year the Department received 600,000 inquiries regarding foreign markets, while 50,000 manufacturers and merchants called in person at its offices in Washington to discuss export matters.

Consummation of every foreign transaction requires some form of banking service.

The consummation of every transaction with a foreign country requires banking service, in one way or another. Some bankers entertain more active business relations in and with Europe than others, but that is merely a difference in degree and not in kind.

The American banker's market is the home market. His success is conditioned upon the capacity and willingness of the American investor to absorb the securities which he offers. His very existence depends upon the confidence and coöperation of the public and of his fellow-bankers. And any banker whose activities would justly create the impression that he was actuated by cosmopolitan rather than by American interests would very soon lose that confidence and following.

The vast bulk of the business of the American banker originates and ends in this country. His allegiance, his reputation, his self-interest, his capital, his aspirations, the vast preponderance of his opportunities, are here.

Banker's international business comparatively inconsiderable.

The business which he does for his own account in, with, or for Europe, is inconsiderable as compared to the business he does in America. His principal functions in relation to Europe are to provide the requisite banking facilities for export and import and for travelers. That part of his functions which consists in financing

loans of foreign governments or industries has hitherto been (with sporadic exceptions) of relatively inconsiderable proportions as compared to the vastness of the volume of his transactions in financing American industry, commerce and enterprise.

In saying this, I do not mean to imply that there is anything that calls for apology in the floating of foreign loans in America and in the loaning of American funds to Europe, provided such loans are considered sound as to security and are made for legitimate, constructive purposes. Indeed, such loans ought to, and I believe will, be made in increasing measure, as conditions warrant. It is both the duty and the advantage of a creditor nation, such as this country has become, to place part of its available funds in foreign countries.

Aiding export trade.

It is manifest that the promotion of our export trade, including, of course, the export of farm products, requires us, under the circumstances as they are now and are likely to remain for some time, to aid the purchasing power of other nations by extending to them financial facilities to a reasonable extent.

It is the function of the banker to be instrumental in carrying out such transactions. In doing so, he is serving a useful national purpose, just as he served a useful, indeed a highly important, national purpose in attracting and bringing European capital to America in former years, when conditions were reversed and such capital was nothing less than vital to the development of this country and the realization of its opportunities.

That transactions of this nature, which under any circumstances can amount to but a fraction of the American business of the American banker, could unduly influence his attitude toward Europe or affect his judgment and sentiments as an American citizen, is a supposition as unfair as it is absurd. Even from the narrowest and crudest

standpoint of sheer selfish consideration, such a supposition would be untenable because—and this brings me to my second point—

Banker must distribute what he buys.

2. The banker does not buy for the purpose of holding, but of distributing. If the banker were to hold for his own account the securities which he buys in the course of his business, his funds would very soon be exhausted and he would find himself unable to undertake new business. The first principle of correct banking is for the banker to keep his capital as liquid as possible.

The bonds which he buys from a foreign government or corporation—or, for that matter, from a domestic corporation—do not remain in his safe deposit box, but find their way into the boxes of hundreds of thousands of investors throughout the country.

His financial obligation, his monetary stake, are involved normally only for the length of the interval between his purchase from a government or corporation and his disposing of the securities so purchased, by an offering to the public. His remaining obligation—and that is a continuing and weighty one—is of a moral character and consists in the requirement that he must have used the best of diligence, judgment and care in satisfying himself as to the soundness and intrinsic value of the securities offered to the public, under his auspices.

The penalty for failure to fulfill this requirement is severe and inevitable—consisting, as it does, in the loss of the confidence and patronage of his clients; and without these assets no banking business can endure.

Incidentally, it is worth mentioning that the total amount of securities, issued in this country and outstanding, of those Allied European nations who were engaged in the late war, is very much less than is frequently supposed. That total, thus far—apart, of course, from the Allied war debts to the American Government, and apart,

also, from temporary bank loans and similar trade accommodations—is not four to five billion dollars, as has been stated in Congress repeatedly and is reasserted from time to time in organs of the press, but considerably less than one billion.

To be exact, it amounts at present to a *maximum* of $763,600,000. (As a matter of fact, it is no doubt less, because, according to common knowledge, substantial portions of these dollar loans have been repurchased by European investors.) The total is made up as follows:

A particularized statement of Allied securities held in America.

Great Britain	
5½% Loan, Due August, 1929	*$ 75,000,000
5½% Loan, Due February, 1937	144,000,000
France	
7½% Loan, Due June, 1941	$ 87,000,000
8% Loan, Due September 15, 1945	90,000,000
Department of Seine 7% Loan, Due January, 1942	25,000,000
City of Bordeaux 6% Loan, Due November, 1934	15,000,000
City of Lyons 6% Loan, Due November, 1934	15,000,000
City of Marseilles 6% Loan, Due November, 1934	15,000,000
City of Soissons 6% Loan, Due November 14, 1936	6,000,000
Due August 15, 1958	40,000,000
Framerican 7½% Loan, Due July, 1942	10,000,000
	$522,000,000

* This loan was originally $148,000,000, but the bonds issued under it are convertible into Sterling bonds, and it is safe to assume that at least one-half have been so converted.

Brought forward	$522,000,000
BELGIUM	
7½% Loan, Due June, 1945	$ 44,000,000
8% Loan, Due February, 1941	30,000,000
6% Loan, Due July, 1925	18,600,000
6% Loan, Due January, 1925	4,200,000
ITALY	
6½% Loan, Due February, 1925	$ 9,900,000
CZECHO-SLOVAKIA	
8% Loan, Due April, 1951	$ 14,000,000
City of Prague, 7½% Loan, Due May, 1952	7,500,000
JUGO-SLAVIA	
8% Loan, Due May, 1962	$ 15,000,000
RUSSIA	
5½% Loan of 1916	$ 25,000,000
6½% Credit of 1916	50,000,000
POLAND	
6% Loan of 1920, Due 1940	$ 23,400,000
Total	$763,600,000

Having thus, I hope, measurably purged myself of the suspicion of selfishly interested motives because of the fact that banking happens to be my vocation, I will now

submit a few suggestions on the subject of America's position toward Europe.

* * * * * * *

American coöperation in Europe impeded by the Covenant.

That the European situation is, in the long run, an element in our own prosperity and that from the point of view of self-interest, humanity and a due sense of the responsibility incumbent upon America, we cannot simply wash our hands of Europe and stand in sterile aloofness, are considerations the weight of which has come to be increasingly recognized, I believe, by the majority of the American people. I strongly adhere to that view. Personally, I should be glad to see America go further than our Government has yet deemed it well to go, in pursuance of the stake, moral and actual, which we have in the welfare of Europe.

Apprehension of undeterminable entanglements with Europe.

If, in spite of the strong and often tested instinct for helpfulness which is inherent in the American people, and of their growing recognition of America's tangible interest in Europe, the controlling American attitude has been one ranging from reserve, reluctance and reticence to complete aloofness, the most potent reason is to be found in the popular apprehension lest we be dragged into undeterminable entanglements in the affairs of Europe. That apprehension finds much sustenance in the spirit and the provisions of the League of Nations Covenant.*

I share the aversion to that Covenant, as it was framed

* The following excerpt taken from a book recently published by a distinguished Dutch jurist, Dr. A. H. Struycken, is interesting in this connection, particularly as emanating from a citizen of a country which is essentially neutral and has no axes to grind:

"The membership of the League of Nations does not only give international rights but also involves international obligations. The members who, according to Article X of the fundamental Treaty, have obligated themselves to respect, and coöperate in the maintenance of the territorial integrity and political independence of their co-members, can, in this way, against their own wishes, become involved in great international disputes, in which their direct interests are not at stake and which drag them into political complications from which they would otherwise have carefully held aloof."

in Paris in 1919. I was opposed to it when I first became acquainted with its provisions, * and I am equally opposed to it now.

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A few words should be said, in this connection, anent the far-spread and deep-seated feeling in the Allied countries, that America acted improperly and reprehensibly, that indeed, to use an ugly term, America "welched," when she failed to consider herself bound by President Wilson's signature of the Peace Treaty of Versailles, and declined to ratify that treaty.

That accusation is baseless and unfair.

When someone undertakes to enter into a contract with you on behalf of a third party, the first thing you do is to satisfy yourself, by demanding the production of unquestionable credentials, that the person concerned is in fact authorized to make a contract on behalf of such third party. You inquire particularly whether his au-

* *Excerpt from a speech made by Mr. Kahn in October,* 1920:

"I believe that our participation in the League as now constituted, with its inelasticity and cumbersome machinery, its infinite complexity and all-embracing scope, its rigid formulae and meticulous provisions, instead of promoting harmony and good will, would be apt rather to breed misunderstandings, irritation and ill-feeling between European nations and ourselves.

"Our representatives would find themselves in the necessity of constantly having to make reservations based upon the deliberate intent and the provisions of the American Constitution, including the requirement of the consent of a two-thirds majority of the Senate to anything in the nature of a treaty obligation. We should be expected by our associates in the League to do things, some of which we know beforehand we shall not be able to do adequately or shall not see our way to do at all unless they are strongly supported by public opinion in this country when the occasion arises.

"We should be expected to take or participate in decisions and actions which, in many cases, would be likely to find repercussions in our domestic politics with consequences not difficult to foresee.

"Many of those who advocate our 'going in' admit that the Covenant (as well as the Treaty) is faulty, but urge that the necessary corrections can and will be made after we have joined. I consider that the time to correct admitted faults in the charter and by-laws of an association which you purpose to join, is before you have joined and not afterwards, especially when it is provided that, when once you have joined, modifications cannot be effected except by unanimous consent."

thority is merely to negotiate on behalf of his principal or whether he actually has the power to bind that principal.

The American Constitution no secret document.

The American Constitution plainly defines the limits of the President's authority in respect to treaties. It is no secret document. Its provisions were known, or certainly ought to have been known, to the Allied peace negotiators. It states in the clearest terms that, while the President is charged with the negotiation of treaties, they do not become binding upon the United States unless ratified by a two-thirds majority of the Senate.

True, in most European countries, likewise, a treaty does not obtain binding force until ratified by Parliament. But in those countries long custom has established it as almost an unwritten law that treaties concluded by the Executive Government of the day are ratified by Parliament, for which ratification a majority vote only is required (not a two-thirds vote as with us).

It must be remembered in this connection that, according to the prevailing governmental practice in Europe, the Executive Government of the day is bound to have a parliamentary majority behind it, by which its actions are ratified and supported, because it is only by virtue of being sustained by a majority of the legislators that the Government is in power, and it must resign when no longer so sustained.

Differences in European and American treaty-making practice.

In America, on the contrary, the Executive Power, in the person of the President, is selected for a definite term not by parliamentary vote, but by popular vote, and his tenure of office depends not at all upon his having behind him a majority in Congress.

Long custom has demonstrated that the clause giving to the American Senate coördinate power with the President in respect to the validity of treaties is not a perfunctory provision or a dead letter, but is a living and active practice, approved and supported by the American people.

As a matter of recorded fact, over a long series of years, about forty per cent of the treaties concluded and submitted by American Presidents have been rejected or substantially modified by the Senate.

The Allies had plain notice, therefore, that President Wilson was not authorized to, and in fact did not, bind the American people by his signature (all the less so as he had chosen not to have any representatives of the Senate participate in the Peace Conference), and that no obligation of good faith was created thereby which would make it incumbent upon the American people to carry out his undertakings.

American people gave notice that they would not support Wilson's policies.

And the Allies had additional unmistakable notice and warning to the same effect in the following circumstance: A few weeks before President Wilson's departure for Europe, *i.e.*, in the beginning of November, 1918, a Congressional election took place, in which the chief issue, as particularly emphasized by the President himself, was the approval or disapproval of President Wilson's policies and program. The American people by a decisive majority declared themselves opposed to those policies and that program. Under European practice, the Executive in the face of such a vote would have had to resign. Under our Constitution, that is neither called for nor possible, but the notice that President Wilson's policies were not supported by a majority of the American people and their elected representatives in Congress was none the less emphatic, public and formal.

Furthermore, a large group of Senators—more than enough to prevent ratification of a treaty—in order to make the situation perfectly plain to the Allied negotiators at Paris, took the unprecedented step of advising these negotiators that they were not in accord with the program of President Wilson and would not consider themselves bound, morally or otherwise, by such conclu-

sions as he might commit himself to at the Peace Conference.

And, finally, emphatic messages to the same effect were sent privately to the Allied chief negotiators by former President Roosevelt and other leaders of the Republican Party.

In short, many months before the Peace Treaties, including the League of Nations Covenant, took definite shape, it was made plain beyond peradventure to the Allied Governments that President Wilson and his Peace Commission, unfortified by any representative of the Senate, were not authorized to bind the United States, and that a large proportion of the Senate, more than sufficient to prevent ratification, meant to exercise full freedom of action in disavowing or modifying their conclusions.

In rejecting the Versailles Treaty, indissolubly entangled as it was (by President Wilson's deliberate and outspoken intent) with the League of Nations Covenant, the American Senate acted as it had a perfect moral and legal right to act, as it had given plain notice, in ample time, that it would be liable to act, and as its predecessors had very frequently acted, in pursuance of the constitutional functions and the traditions of the Senate.

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European turmoil due to Peace Treaties.

The assertion often proclaimed in Europe and by partisans of the League here, that the unceasing turmoil and dispeace on that Continent are largely due to America's absence from the League of Nations, is wholly without proof and not susceptible of proof. To my mind, the really originating motive of that allegation is the desire to unload responsibility from the shoulders of those with whom it properly rests. I believe the fact to be that Europe's continuing turmoil and dispeace are, if not wholly, yet preponderantly, the inevitable and easily fore-

knowable consequences of the faultiness of the Peace Treaties.

On May 30, 1919, that liberal and enlightened statesman, General Smuts, sent a letter, which, unfortunately, proved of no avail, to President Wilson, protesting against the terms of the then pending Peace Treaty with Germany, on the ground both of good faith and good sense, and urging modifications. The letter in full is published in Mr. Ray Stannard Baker's book, "Woodrow Wilson and World Settlement." The following is its closing paragraph:

> "There will be a terrible disillusion if the peoples come to think that we are not concluding a Wilson peace, that we are not keeping our promises to the world or faith with the public. But if in so doing we appear also to break the formal agreement deliberately entered into (*as I think we do*), we shall be overwhelmed with the gravest discredit, and this Peace may well become an even greater disaster to the world than the war was."

The League cannot modify the treaties.

There never was, there is not now, and there cannot be, any power in the League, in fact, to modify any of the terms of these treaties. They can be modified only by the voluntary consent of each nation concerned.

In the winter and spring of 1919, with the fresh recollection of America's aid in winning the war, with the then prevailing lively anticipation of America's economic and financial aid in the immediate future, and in spite of the vast prestige attaching to him, President Wilson was not able to obtain a peace compatible with his "Fourteen Points," to which he and the Allied Governments were solemnly pledged.

What reason is there to think that what America then failed to secure while the matter was elastic and still in

the state of negotiation, she could have secured through participation in the League of Nations, after the thing had become rigid and fixed as an unassailable legal right through being embodied in treaties?

What valid reason is there for the opinionated assertion that through participation in the League we could have been effectively instrumental ere this in settling that most troublous of all the issues of ill-conceived compacts, the reparations problem?

America did urge her views on the subject of reparations, sane and enlightened and practical views, in the course of the Peace Conference proceedings in 1919, and reiterated them repeatedly through her unofficial representative on the Reparations Commission, only to have them disregarded and passed over. Secretary Hughes gave public expression recently to his ideas as to how the reparations deadlock might and should be resolved, but no heed, thus far, has been paid to his suggestions.

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The League's limited usefulness.

The League has rendered service, though not always free from undue pliancy and opportunism, in certain matters which were referred to it by the specific consent of those concerned, as they might have been referred, following not infrequent precedent, to some other body created *ad hoc*. It has usefully undertaken certain functions of a non-controversial character. It has proved itself an appropriate instrumentality for international ministrations such as in the matter of the control of the trade in narcotics, the prevention of the "white slave traffic," etc. And its gatherings at Geneva have been indicative of a praiseworthy spirit and endeavor on the part of the delegates, though not always on the part of the governments they represented.

But where really far-reaching interests and essential conflicts were involved in the case of nations that felt themselves strong enough to act according to their own

will and judgment, the League has been found irresolute and impotent and was coolly left aside by those concerned.

Greece, a member of the League, goes to war with Turkey, Poland appropriates Lithuanian territory by force, Lithuania appropriates Memel by force—the League looks on. The League disregarded.

Within recent weeks a dispute between Hungary and Roumania, the subject and disposition of which are clearly within the province of the League, was brought before it upon the initiative of the Hungarian Government. According to the reports in the press, the Roumanian Government refused to countenance interference by the League and, as one correspondent put it, snapped its fingers at the League.

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Article XI of the Covenant provides that it shall be "the friendly right of each member of the League to bring to the attention of the Assembly or of the Council any circumstance whatever affecting international relations, which threatens to disturb international peace or the good understanding between nations, upon which peace depends." And it is further stated in a subsequent article: "Disputes as to the interpretation of a treaty, as to any question of international law, as to the existence of any fact which if established would constitute a breach of any international obligation, or as to the extent and nature of the reparation to be made for any such breach, are declared to be among those which are generally suitable for submission to arbitration." Yet, France and Belgium occupy the Ruhr—and the League is disregarded, in fact, warned off.

Whether France and Belgium did wisely and rightly, or not, is not a question which affects the point to which I am addressing myself.

A distinguished English publicist, Mr. J. A. Spender,

a strong adherent of the League idea, stated in a recent article: "The League thus in the last resort represents the play of forces in Governments composing it, and, as at present constituted, it can do nothing else."

He would be a guilelessly optimistic man indeed or one little acquainted with the elements underlying the policies, aims, dispositions and methods of governments on the European Continent, who would really believe that American participation in the League would have had the power and effect to over-rule or eliminate those elements.

League not sufficiently united.

The carefully designed provisions above quoted have proved largely illusory thus far. As the examples of Poland, Lithuania and Greece have shown, notwithstanding Articles X to XVI, the League, its delegates being subject to the orders and policies of the governments of the nations composing it, is not sufficiently united or single-minded or resolute to prevent the use of force. As the action of France and Belgium has shown, the League is not looked upon by them as capable of guaranteeing their security, or adjudging and obtaining their rights.

As the military conventions concluded between various European nations have shown, a number of the governments represented in the League are not prepared, in the light of their primary national duty as they see it, to shape their policies by the chart which the Covenant is supposed to embody, and seem to interpret some of its provisions more or less in a Pickwickian sense.

It is true that fifty-three nations have joined the League, but that fact does not make upon me the impression which, on the face of it, it would appear to justify, nor does it seem to me to validate the argument which the advocates of the League base thereon. Given the preponderating power and prestige of the four originating great Powers, Great Britain, France, Italy

and Japan, and the belief then widely prevalent that America would join, it is hardly to be wondered at that almost all the nations invited to enter the League accepted that invitation. Has it not happened to a good many of us that, without too closely scrutinizing details or even without being in full accord with the provisions of the by-laws and statutes, as fixed, we joined movements or organizations, with the professed objects of which we were in general sympathy, especially when the first few names on the list submitted for our signatures were of particularly high standing and commanding prestige?

The League's corner-stone not "well and truly" laid.

The League as now constituted is not what those devoted single-mindedly to the furtherance of international peace and fair dealing among the peoples meant and aimed it should be. In my opinion, it will not and cannot be that, under the fundamental and regulative principle of its being. I hold that opinion because, apart from all other considerations, there is, as I see and understand it, one basic fault in the very conception of the Covenant, namely, the fatal fact that the League is called upon to perpetuate, maintain and defend that Europe which was set up under the Peace Treaties by the fiat of three men sitting in secret council in Paris. Indeed, that is the very corner-stone of the Covenant, and that corner-stone is far from being "well and truly laid."

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An unanswered inquiry.

I have repeatedly addressed the following argument and questions to advocates of the existing League. I have addressed them lately to Lord Robert Cecil, for whose ability, high-mindedness and sincerity I have the utmost respect, and I have yet to hear an answer which, to my mind, meets that argument and the questions based thereon:

> "The makers of the Peace Treaties created a new Europe. In doing so, they disregarded or circum-

vented the wise and farsighted 'Fourteen Points,' in spite of the solemn promise that these stipulations were to form the basis on which the peace would rest.

"In drawing new frontiers and determining new sovereignties and decreeing the annulment of time-tested actualities, they gave scant heed to the teachings and developments of history, to the proven qualities or deficiencies of races and to economic realities and results. They imposed arbitrarily one-sided conditions, they multiplied customs-barriers. They tore up highways of commerce and intercourse, and impeded channels of trade which had existed for generations. They intensified racial antagonisms. In the name of the doctrine of 'self-determination' and, in other instances, in despite of that same doctrine, they placed millions of people under unnatural sovereignties, without plebiscite, without any ascertainment of such people's own choice.

"And then they said: 'This is the year *One* of a new era. From this day on, as we three men in our wisdom have determined it, so Europe, Asia and Africa shall look and move. As we have disposed of the world, thus it shall remain forever.'

Misusing a fine project of American idealism.

"The Allied representatives had had pressed upon them by American idealism the fine project of a League of all the Nations in order to strengthen international justice and preserve peace (a project, the detailed elaboration of which ought to have been kept distinctly separate from the war settlements of 1919, and away from the unpropitious atmosphere of the time and the place of their making). Most of the European diplomats and politicians engaged in the Paris negotiations—with some outstanding exceptions such as Lord Robert Cecil and General Smuts—had looked upon that project with scepti-

cism, some with outspoken aversion, but when they found that President Wilson had set his heart upon it beyond anything else, they used it skillfully for obtaining his consent to peace conditions which otherwise he would never have sanctioned.

"And further, upon reflection, they discerned in it a useful instrument and guarantee to attach to the war settlements and to insure the coöperation of the United States for maintaining the world for all time as the 'Big Three' had carved up and apportioned it. They contrived to make their handiwork doubly ironclad by stipulating that nothing essential could be done by the League except with the unanimous consent of its members—a provision the apparent fairness of which covers but thinly its real purpose, a provision, too, which the whirligig of time may well turn into a plague to some, if not all, of those who were meant primarily to be its beneficiaries.

"And thus they came in the end to embrace cheerfully the scheme of a League of Nations, having cunningly elaborated and designed it so as to make that League called upon, practically irrevocably, to preserve and perpetuate the structure of their Peace Treaties. And they declared through the Covenant, in effect, that whoever touches that structure is to be considered the common enemy of mankind, and all the nations shall unite against him.

"But that structure does not warrant such sanctification. Some of its arrangements, such as that pitilessly truncated Austria, that despoiled Hungary, that jagged and disjointed eastern frontier of Germany, cannot be regarded as conformable with either equity or good sense, nor do they augur well for stability or assured peace. No equilibrium can result from unstable foundations. However gorgeously

garbed in a raiment of fine professions, injustice remains repellent and intolerable.

Peace Treaties faulty in spirit, judgment and intent.

"However ardent, vivid and rightful our sympathy with the peoples who heroically defended their countries and the universal cause of international ethics against the assault of Germany and her allies, however unquestioned the right and indeed the duty of the victorious nations to assess severe and exemplarily deterrent penalties for the wrong and suffering inflicted upon them, however unassailable their warrant to obtain security for the future and reparation for the past, yet it has now become recognized by well-informed and fair-minded men everywhere that the Peace Treaties are affected with grave faults of spirit, judgment and intent.

"But the League, even though an overwhelming majority of its members might desire and vote to apply modifications or, at least, mitigations, cannot, against the will of the nations concerned, change one iota in those treaties. On the contrary, it rests upon them and is bound to maintain and defend them. I do not mean to say that the League ought to have power to alter the Peace Treaties. Indeed, that would be unthinkable. I merely register the fact, and its implications that, of course, it has no such power.

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The questions.

"Arising from the foregoing argument, *my questions are:* How are you going to get away from the congenital taint of the League, which consists in its being inseparably attached to, and made the preserver and guardian of, the war settlements?

"However right and sympathetic the theory and conception of a League, *this* League is sitting on a platform loaded down with, and made precarious by, the defects and obliquities of the Peace Treaties. It

has no power to remove or modify any of these ill-conceived ordinations. No disposition to do so has been shown by those who were meant to benefit from them. Who else will and can, and how?

"And unless the most glaringly faulty, at least, of these provisions are removed or modified or, at least, substantially mitigated by voluntary action, how can the League reconcile its undertakings under the Covenant with the moral purpose supposed to underlie its conception or with the practical attainment of a peace which shall be genuine and lasting because based upon enlightened justice and fair dealing among the nations?"

* * * * * * *

What, then, is the answer? Are the results of the handiwork of those who bungled the task of making a peace which should bring the dawn of a nobler day, so incorrigibly fatal that the high aspirations which animated the peoples of the Allied nations during the war and steeled them to untold sacrifice and heroic endurance are doomed to be frustrated?

Must the fine and universally acclaimed purpose to substitute fair dealing and good will among the nations for the hideous brutality of war, and to cut the ground from under the sinister growths of international fear, suspicion, covetousness and animosity—must that high purpose be once more abandoned and the world, sullenly and hopelessly, confess itself impotent to deal with its conflicts otherwise than by the horrors of armed conflict?

Must America stand aloof and abstain from giving ear to the plea of those in Europe who call upon us—our views and sentiments unclouded by fear of anybody or by racial animosities nurtured through centuries—to bring our disinterested judgment, our well-meaning intent, and our practical coöperation to bear upon the problems

the unsettled state of which keeps the old-world in distress, turmoil and rancor?

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A suggested answer.

With due diffidence, I venture to suggest the following as indicating what seems to me a line of approach to an answer to these questions:

Let the League of Nations set the example of that repudiation of force which constitutes the true underlying purpose and justification of such an organization. Let it cut out from the Covenant everything which smacks of compulsion. Let it confine its *political* functions solely to being a body to which any nation that feels itself aggrieved or menaced or troubled, can carry its case, and which will examine such case fearlessly and fairly and seek to find redress by no other means than the use of its good offices, the might of public opinion and the appeal of justice.*

Some of the devoted advocates of the League say that this is, in fact, its platform and that it does not mean to avail itself of the power of coercion conferred upon it by the Covenant; that, in fact, that power could not be called into operation even if wanted. If that be so, then let the Covenant say that this is its meaning. Let it formally and unmistakably eschew all thought and potentiality of coercion.

Public opinion League's best weapon.

Let the League reject every aid and instrumentality but that of rightly informed public opinion. Let it rely upon that, and that only, to prevent aggression, to de-

* Such functions would not be in conflict with, or a substitute for, the Hague Tribunal or the World Court. The scope of those bodies is exclusively juridical and judicial, and they cannot be invoked except by the common consent of two or more parties to a dispute. The scope of the League, as I conceive its functioning—the weight of its pronouncements being purely moral—is circumscribed only by the ethical code and by the dictates of good sense and good feeling and becoming restraint. It would have, as I view it, "the friendly right" to express itself and to use its good offices upon the petition of any one nation, always provided, of course, that it must not occupy itself with matters that are properly within the domestic affairs of nations.

flect menaces and to right wrong. It needs no other weapon. It can find none other as powerful for good.

That is not the talk of a sentimentalist. All history shows that the mills of the gods do grind, and that the nation which defies the conscience of the world and scorns justice will ultimately pay the penalty, as Germany did, in spite of all her seemingly invincible power.

If that were done, if the League voluntarily and unmistakably stripped itself of every means of action but that of reliance upon public opinion, if it surrendered every attribute which smacks of "super-government," if it were relieved of peremptory "involvements" in the war settlements, then I, for one, venture to think that America's just objection would be overcome and that she could and should take her place in such a council of the nations. And I feel well assured that *such* a council, in due course of time, would develop effectively into that blessed instrumentality for peace and righteousness among the nations which is the hope and aim of all right-minded men.

EUROPEAN IMPRESSIONS *

I

General conditions.

THE consequences of the lamentable faultiness, spiritual and actual, of the Peace Treaties of 1919 continue their fatefully malignant course throughout Europe.

The responsibility for the existing state of things lies less with those who are now administering the governments of the respective nations, than with the men who inflicted the curse of these treaties upon the world.

I have always been, and continue to be, opposed to America joining the League of Nations, as conceived and functioning under the Versailles Peace Treaty and Covenant, or adhering to any other arrangement which would put it into the power of foreign nations, actually or morally, to commit America to international proceedings, or would involve restraint, interdiction or abrogation in respect of her complete freedom of action within the limits, of course, of international law and usages and of treaties bearing her signature.

America's moral obligation to Europe.

But nevertheless, I believe that an unescapable moral obligation attaches to this country because it helped, and probably helped decisively, to determine the outcome of the war, because certain solemn promises were made on its behalf—but regrettably departed from—as to what should and would follow the winning of the war and, lastly, because the then President of the United States was one of the "Big Three" who fixed the terms of the Treaty of Versailles, and because he set his signature

* An address delivered before the faculty and students of Wesleyan University, Middletown, Connecticut, November 15, 1923.

thereto (even though the latter action was not binding upon America without ratification by the Senate, and the refusal of such ratification was sustained by the votes of a vast majority of the American people).

It is a satisfaction to know, and it has been greeted with acclaim and relief and hope by right-minded people throughout Europe, that the American Government has consented to join in an international conference in connection with the question of German reparations.

Because of the coöperation of the United States, such a conference could hardly fail to be of weighty service, and it is not over-sanguine to hope that, if and when it does take place, it may find and clear the road toward the permanent solution of complexities which have been so fraught with turmoil, embitterment and disaster.

Notwithstanding the fact that the attitude of the French Government has for the time being, in the view of our Government, frustrated the conference as proposed, that need not—and I trust it does not—mean that action on the lines of this auspicious plan is definitely abandoned.

The moral weight which European public opinion everywhere will attach to any clear pronouncement of the United States can hardly be exaggerated.

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In view of all the circumstances of the present juncture, I deem it preferable this evening not to ventilate the reparation question and its ramifications, and the attitude, actions and responsibilities in relation thereto of the Governments concerned.

Therefore, as it is not possible to discuss the situation either of *France* or of *Germany* without animadverting on this question and bringing in the issue of the Ruhr occupation and kindred acutely controversial matters, I shall refrain on the present occasion from any comment concerning either of these nations.

II

It may not be amiss, however, in this connection, that I quote here, with your permission, a portion of a speech which I delivered in Paris a month ago:

The American "man in the street."

"As to America's present frame of mind toward Europe in general, it seems to me that there is a line of demarcation between, on the one hand, certain elements of the population, including, among others, those who by visits or by study have acquired a greater or lesser degree of familiarity with underlying European causes and conditions, with historic, economic and racial elements and effects—and the great majority of the American people, symbolized by the plain-thinking 'man in the street.'

"Of course, there is a certain proportion, more or less considerable and fluctuating in size, of the 'plain people' whose attitude and views toward Europe are not those which, in what I am going to say, I shall endeavor to describe. In generalizing by the use of the term 'man in the street' I do so with the reservation thus indicated.

"The American 'man in the street' is far from being ungenerous or unhelpful or callous in his instincts. On the contrary, underneath his apparent matter-of-factness, he is emotional, sentimental, idealistic, with a strongly developed sense of his duty toward humanity.

"But he is young, his are the unsophisticated, downright, uncomplex mental processes of youth which sees a thing white or sees it black and does not care to enter into the many nuances that lie between. He is prone to judge the infinite complexities and diversities of ancient Europe by the standard of the relative simplicity of the problems of America.

"He went into the war from no other motive than that of a crusader, to fight for honor, right, liberty, justice, humanity—for the things he had learned to hold sacred

and dear, and he was promised as his sole reward that the victory which he joyously helped to attain would bring about a reign of peace and righteousness among the nations, would cure and eliminate ancient wrongs and inveterate causes of conflict and animosity, and set up a finer, nobler, more orderly and brotherly world.

How *post-bellum* Europe looks to the "man in the street."

"In the face of these expectations how, to his eyes, does *post-bellum* Europe present itself?

"Has the world been made a better place to live in? Are national covetousness, racial animosities, narrow-souled diplomacy, are jealousy, meanness, strife, force, less in evidence now in Europe than they were before the war? Has the lion shown the slightest inclination to lie down with the lamb? Is the status of the European Continent, is the actual and spiritual relationship among the nations, five years after the Armistice, a worthy sequel to the great epic of the war?

"From what he reads and hears, observing, as he naturally does, effects rather than causes, a large part of Europe appears before his vision in turmoil, embitterment and dispeace. He sees former Allies at odds and in acrimonious controversy. He sees acute crises, civil strife and economic confusion. He sees races which were freed from long oppression, and nations which were newly created or lavishly enlarged, indulging in intolerance, churlish unneighborliness and narrowly selfish bearing and proceedings. He sees new barriers in the shape of multiplied custom houses and restrictions thrown across the highways of trade. He sees the aggregate of armaments and armies increased rather than diminished. He sees might defiantly retaining its accustomed place in the scheme of things.

"He stands bewildered, disillusioned, dissatisfied. The faith which animated him when he went forth to fight has undergone a somewhat rude shock. He is confused by contradictory reports, claims, reproaches, accusations

and propaganda. To his plain American horse-sense the thing is inexplicable and repellent.

"Let us have Peace!"

"He thinks of the saying of General Ulysses Grant at the termination of the American Civil War, with all the profound bitterness and vast suffering which accompanied that conflict, 'Let us have Peace!'

"The average American, by long tradition, does have warm sympathy for the people of France. He does appreciate the problems which confront her and the rights and safeguards to which she is so fully entitled. Even when unable to see eye to eye with her, and, reluctantly, at variance with policies and actions of her Government, his discordance is that of a friend and well-wisher and makes large allowance for her point of view.

"He believes that, whatever the wrongs and errors of the Peace Treaty, Germany, having affixed her signature to it, was bound to make the utmost efforts in constant and unequivocal good faith to carry out its provisions. He feels that, through falling short in that respect and through other acts of omission and commission, Germany has done much to forfeit that indulgency which humane feeling dictates toward a beaten and prostrate foe. But still he does regret to see her present grievous plight, is strongly desirous to see it ended and to have the German people given a fair chance, and stands willing and zealous to aid in relieving want and suffering.

"And, insistently, he asks: 'Why can't they have, over there, a final and feasible and broad-gauged settlement all round? Why can't they have real peace and concord and neighborly relationships, at last, and restart the wheels of production, industry and commerce everywhere?'

"And he says to himself:

> " 'That European game is too complicated and too strange and too wearisome for me. I don't understand their rules and their views and their

motives and what they are driving at. I don't know all the rights and all the wrongs. I don't know what to believe and what to disbelieve. I only know it is a nasty mess.

" 'I don't know how to cure it, and I don't know that I am called upon to try, and I don't know what I would be letting myself in for, if I did try. I'd better stick to the old American rule not to get entangled in the affairs of Europe. I'd better keep out of this thing, anyhow for the present. As it is, it's beyond me.

" 'I know they accuse us "over there" of having turned our back upon them after the war, and left them in the lurch. I say, we are no quitters. We did get out of Europe, bag and baggage, but only after they had failed, by their Peace Treaties and diplomats' manipulations, to be true to the spirit which brought us into the war, and when, on top of that, they wanted us to sign a Covenant which was not compatible with our independence, national traditions and good sense.

" 'Let them put their own house in order, or at least give proof that they mean to make an honest attempt at it. When they will have done that, when they will have established genuine peace and fair dealing and started on the right road to settled conditions and normal relationships, or even when they merely demonstrate that they really mean to do it, then—if it's a question of America's doing the fair thing to help along in a reasonable and consistent way—why, then, let them come and we will talk.'

American Congress reflects views of "man in the street."

"That, according to my observation, is a rough and condensed summary of the feelings and views of the majority of the American 'men in the street,' and it is they, after all, whose ideas and aims the American Congress predominantly reflects.

"Personally—and there are a good many who agree with me, and I think their number is growing—I wish a somewhat different summary could be given.

"I wish, though I am, and always have been, strongly opposed to America's joining the League of Nations as conceived and established under the Covenant, I wish that our Government and people could have seen their way long ago, by the side of our comrades in the war, but with our independence and freedom of action untrammeled, to take an active, positive and responsible part in helping to solve the problems and complexities of Europe.

"In saying this, I mean neither alliance nor military commitment of any kind nor any other commitment, actual or potential, but merely, through the instrumentality of the Government, the contribution of our best thought and judgment, frankly and openly expressed, and the marshaling of our moral force; and also, as our offering toward a genuine and propitious settlement all around, a liberal arrangement as to the war debts due to the American Government.

"Personally, I feel convinced that it is open to America thus to render a vast service to the whole world and at the same time aid her own interests. But it has been made plainly manifest that the attitude of the majority of the American people, under existing circumstances, is one of reluctance, diffidence and disinclination in respect of any suggestion looking to active and comprehensive coöperation toward adjusting the troubled affairs of Europe. And they are little likely, essentially, to modify that attitude and disposition, at least until the spirit and results of European statesmanship will have become more appealing, more sympathetic and more understandable to their conceptions and their sentiments than has been the case heretofore since the ending of the war.

"Those of us who, like myself, would welcome an attitude of constructive helpfulness on America's part, can only hope that actual and psychological conditions in Europe may so shape themselves in the early future as to commend to the 'man in the street' the assumption by America of a share of responsibility commensurate with her power and position among the great nations of the world.

"Man in the street" will not fail to heed a moral call.

"If and when the 'man in the street' will have come to believe that there is a clear moral call for action, the American people will not fail to heed that call and to fulfill whatever duty may be incumbent upon them."

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Since the foregoing was spoken, the American Government has courageously taken the lead of public opinion in indicating its willingness, in a consulting capacity, to help straighten out the most pressing perplexities and complications of the European situation.

It is gratifying to observe—as far as I can judge after having been back from Europe but a few days—that the "man in the street" seems willing to follow that lead and that the Government's initiative has met with a sympathetic reception on the part of a majority of our people.

It is greatly to be hoped that Europe will know how to respond to this move on the part of the American Government and to its apparent endorsement by popular disposition. A grave responsibility will rest upon the shoulders of any man or any nation whose attitude would cause this very important and potentially highly beneficent new departure on America's part to remain unrealized.

Government's lead endorsed by popular disposition.

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In the course of the journey, from which I have just returned, I visited England, France, Italy, Austria and Hungary. I talked with Prime Ministers Baldwin, Mussolini, Poincaré and General Smuts, with Mr. Ramsay

MacDonald and other leaders of the Labor Party in England, with the Austrian Chancellor, Monsignor Seipel, with the Hungarian Regent, Admiral Horthy, and with numerous other men eminent in public, industrial or financial affairs.

On the whole, my impression is that, however distressing and alarming, in some respects, is the present aspect of affairs, the forces that make for accord and settlement are slowly, very slowly, gaining ascendency.

III

England and her problems.

The problems which confront England are serious, the principal one being the stubborn continuance of unemployment on a vast scale. A small, unfertile island, being but scantily endowed with natural resources, except iron and coal, she is absolutely dependent for her position as a great Power, indeed for the very nourishment of her population, upon her world trade.

Her own prosperity is largely dependent upon the prosperity and the purchasing power of the rest of the world. At present, not only is the consuming capacity of several hundred millions of people in Central and Eastern Europe greatly reduced (with resulting reactions on other European States and, indeed, more or less throughout the world), but the normal flow of trade has been made more difficult through the shortsighted and disruptive economic dispensations of the Peace Treaties of 1919.

Each new frontier created under these instruments—and all were created from the sheer political point of view, with incomprehension, or disregard, of economic consequences—has turned out to be a barrier thrown across the course of trade. Custom houses, frontier red-tape and vexations, arbitrary ordinations concerning exports and imports, have been multiplied in the newly

set-up States, each of which is pursuing a policy of narrow economic nationalism. Grass is growing on some of the broad highways along which the commerce of the world has moved for generations.

Moreover, fluctuating and depreciated currencies, the reduced standards of living for labor in Continental countries, and other causes have intensified the difficulty for England to export her manufactures and, at least in certain lines, even to hold her own in the home market against the foreigner.

Furthermore, being the only country, thus far, among the Allied nations that is discharging the obligations arising from the advances made to her during the war by the American Government, and steadfastly adhering, as she does, to the sound doctrine of meeting her budgetary requirements by taxation, her people, her commerce and her industry are supporting a burden of taxes heavier than exists anywhere else in Europe.

England's way of dealing with her problems.

She is facing her problems with calm and with great courage. In her own time-tested way, deliberately but resolutely, she is preparing to deal with them. In conjunction with the representatives of the other self-governing nations composing the British Empire, whose important and protracted conference in London has just come to an end, she is devising ways and means to meet the novel situation which a changed world has created for her, and to adapt herself to existing conditions.

I may mention that the expedient of inflation which has recently found some public advocacy in England is receiving not the slightest consideration in responsible quarters. In fact, even its advocates do not really contemplate *monetary* inflation. There does seem to be, though, a consensus of opinion in weighty circles that any measures tending to further *de*flation ought to be held in abeyance, for the time being.

England is thinking hard. Her best brains, and not

only hers but also those of her colonies and dominions, are addressing themselves to finding the right solution to her problems.

I attended a dinner while in London at which the speakers were a Tory-Conservative bearing a great historic name, a labor leader, an Indian prince and two of the leading Colonial statesmen.

Through all these speeches ran a strain of splendid loyalty to the British Empire and institutions, of unshakable faith in Great Britain's future and of a joint determination to find the way to the well-being and progress of her people. And all united in emphasizing the need for self-restraint, tolerance, conciliation and a spirit of live-and-let-live, among the great nations of Europe.

England has learned to use great power wisely.

The route England selects habitually is not the easiest road. For generations she has been used to meeting difficulties and obstacles and has steeled her character and trained her wits to overcome them. She has learned in the hard school of experience the momentous lesson, all too often unheeded by nations or individuals, to use great power wisely and fairly, with restraint and circumspection. And all history shows that power permanently will stay only in hands which do not abuse it.

I have no doubt whatever that England will succeed, before long, in solving her problems and emerging once more into the sunlight of full prosperity and potency. That she should so succeed, speedily and completely, I hold to be greatly for the best interest, moral and material, of all the world.

IV

It is entirely possible for a man to cherish freedom, to adhere to progressive political and social tendencies and liberal conceptions, as I do, and to look upon Fas-

cismo, or anything resembling it, as utterly unthinkable and intolerable in the United States, as, of course, I do—— and yet admire Mussolini.

Italy and Fascismo.

In formulating judgment on Fascismo, two things should be kept in mind: First, it so happens that Italy is inhabited by Italians and not by Americans or Britishers, and what applies and appeals to us need not necessarily apply and appeal to them. Secondly—in the case of every people—more essential even than liberty, and therefore taking precedence over it, is order and national self-preservation, actual and spiritual. Indeed, true liberty is impossible unless there is order and an adequately functioning government.

In the case of Italy, in the years immediately following the war, a situation had developed which came close to social chaos. Organized bands of bolshevists, communists and socialist extremists exercised, by violence and terror, a mean, venal, destructive, anti-patriotic tyranny throughout the land. Government was impotent, held in contempt, and openly defied. The public services functioned intermittently only, being scornful of discipline and frequently interrupted by strikes. Labor disturbances on a vast scale, accompanied by constant violence, beset industry. Religion was derided as a harmful and antiquated superstition. The country's flag and uniform were insulted with impunity in the streets of Italian cities. Patriotism, duty to, and faith in, the country, were jeered at as outworn conventions. Class was arrayed against class in bitter animosity. Italy's prestige abroad was at low ebb.

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To anyone who knew Italy then, the change which has come over the country with the advent of Mussolini is little short of miraculous.

That change must have been ripening in the souls and minds of the Italian people for a long time. But for

having brought it about, and especially for having brought it about almost without bloodshed, and for having so rapidly and effectively organized its beneficent workings, the credit belongs mainly to a great man, revered in his own country and much misunderstood abroad, a self-made man if ever there was one, setting out with nothing but the genius of his brain, the force of his character and the ardor of his patriotism: Benito Mussolini.

Italy and the world owe gratitude to Mussolini.

To him not only his own country owes a debt of gratitude, but the world at large is under very great obligations. If Bolshevism, Communism and similar pernicious doctrines had won in Italy, as at one time seemed to be imminent, there is no saying how far-reaching the repercussions might have become.

Mussolini not only met and conquered these menacing movements, he removed the conditions, actual and psychological, in which they had been able to find sustenance in his country.

Mussolini did not promise, or give, advantages to any one class. He went before the people not with alluring phrases and flatteries, but with a stern call, to all classes alike, for work and discipline and self-abnegation for the sake of serving the national welfare and attaining national greatness. And the people responded as the people always will respond to a great appeal.

Wholly differing from many of those who in other countries have wrongfully appropriated the label of "Fascismo," he shunned to foment class hatred, or to utilize class animosities or divergencies, for political or personal purposes. Indeed, his way and spirit were precisely the reverse of such practices.

He is neither a demagogue nor a reactionary.

He would have turned, and would now turn, against capitalists just as vigorously as he turned against radical

destructionists, if capital were to fail in its national duty or attempt to exercise undue prerogatives or seek to make the Government subservient to its own interests.

He is neither a fantastical chauvinist nor a "bull in the china shop" of Europe. He is a patriotic realist, and he does insist that fair account be taken, as should have been done, but was not done, at the peace conference in 1918-9, of the essential economic needs of Italy and that adequate elbow-room be allowed to her overflowing population.

Mussolini places duties above rights.

He despises phrases and outworn, intrinsically insincere conventions. He is no enemy to freedom, rightly understood and applied. But he places duties above rights. He places the national destiny above partisanship and resounding professions that misuse the name of liberty.

He is no dictator in the generally understood sense of the word. He holds his position and power by the overwhelmingly expressed will of the people, to which a reluctant parliament did not dare to refuse its sanction, and with the approval of the constitutional head of the State, the King.

Personally, he is a man of wide culture, of the simplest habits, of pronounced tastes for literature and the arts. His capacity for work and his energy are prodigious, and he is utterly unsparing of himself. His personal integrity has never been put into question by even his most aggressive enemies. He is absolutely without fear, and scorns protection. I have seen him, accompanied only by a friend, walking along in a leisurely way through a vast concourse of people who had assembled to watch a great sporting event in Milan. I have conversed with him several times and came away under the impression of a fascinating, wholly sincere and immensely forceful personality.

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Parliamentarism not synonymous with liberty.

A man was needed urgently to clear up the hopeless mess created in Italy by "Parliamentarism." * There is nothing sacrosanct in the system of Parliamentary government. It is by no means synonymous with liberty or with democracy. It does work, and has worked, well in England because there it is in accordance with the fundamental traits and deep-rooted habits of the people, and is accompanied by willingly accepted party discipline and party loyalty, and tempered by traditions and conventions which have the force of constitutional restraints.

But without these things, it is a system of questionable virtue, and experience among nations on the European Continent, thus far, has certainly not demonstrated that sheer "Parliamentarism" is an instrument best calculated to promote the freedom, welfare and happiness of the people.

As far as I have been able to observe, the reaction against unmitigated Parliamentarism, which is expressing itself in many countries on the European Continent, is not a movement initiated, maintained, or imposed by a ruling class, but springs from dissatisfaction and distrust on the part of the people as to the workings of that system.

It is well to recall, in this connection, that the enlightened and farsighted men who drafted the American Constitution would have none of Parliamentarism, correctly judged its inherent defects and foresaw its hazards, and did all they could to guard against its becoming the system of government of the American people.

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In Italy, for many years prior to the advent of Mussolini, the evils of sheer Parliamentary government were rampant, and intriguing, wire-pulling, self-seeking combi-

* By "Parliamentarism" I understand the system under which a popularly elected Parliament is virtually omnipotent, and Executives and Cabinets are made and unmade overnight according to the views and whims, or intrigues, of fluctuating and fortuitous party combinations.

nations of politicians were making and unmaking Executives, Ministries and laws. The result was inefficiency and corruption, and, among the people, contempt for, and suspicion of, government, accompanied inevitably by the injurious results that spring from such a state of the popular mind.

Mussolini's aims for Italy.

Mussolini has substituted efficient and energetic and progressive processes of government for Parliamentary wrangling and wasteful, impotent bureaucracy. He has engendered among the people a spirit of order, discipline, hard work, patriotic devotion and faith.

He has upheld the cultivation of, and due reverence for, religion which, for many years, a crude and false conception of democracy had treated with churlishness and disrespect, if not with actual animosity.

He means to have Italy contented, prosperous and progressive at home, respected abroad, and accorded that position among the great nations to which the intrinsic qualities of her people, her present-day achievements, and the glory of her past entitle her. He is far too clear-headed a man to lead his people into hazardous foreign adventures, but he is determined that the practice long prevalent, under which, at the table of the great Powers, Italy was to be "seen, but not heard," shall cease.

Italy has put her house in order.

He means Italy to be not merely a land of beauty, of ancient art and historical greatness, but a nation holding her own, in industry, science, the arts and all other branches of activity, in peaceable contest with other peoples, in the van of civilization and progress.

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Economically, the situation of Italy is distinctly encouraging. There is very little unemployment. The frugal, intelligent Italian population is hard at work with a will and with good spirit. Wages have been increased. Property rights are respected and safeguarded. Enterprising capital is encouraged. Intellectual and artistic

activities are stimulated. The physical as well as the spiritual assets of the nation are being enhanced.

The Government is following the policy of taking the State out of business, as much as possible, and of avoiding bureaucratic or political interference with the delicate machinery of trade, commerce and finance. Adhering resolutely to sound economic principles, rejecting inflation, limiting its borrowings to a minimum, practicing strict economy, applying severe taxation commensurate with its budgetary needs, Italy has put her house in order and is successfully completing the heavy task of establishing financial equilibrium in her governmental affairs.

I have never seen a Government work with the intensity of application which characterizes the present Ministry of Italy, from Mussolini down. For these men, the week appears to have seven working days, and the day sixteen working hours. They are all young and enthusiastic and appear devoted to their chief and their task. The Minister of Finance, de Stefani, impressed me particularly as a man of eminent capacity, both financially and administratively.*

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Faith in Italy's future.

Notwithstanding the scantiness of her possession of raw materials, notwithstanding the fact that the makers of the Peace Treaties gave little consideration, and no satisfaction, to her economic needs, I have great faith in the future of Italy.

What permanent modifications in the system and functionings of government will result from the regime of Mussolini, I will not attempt to forecast. Whatever their ultimate form and substance, after the stage of transition and the measures incident thereto, I am fully convinced that the lasting effects will make for the greater

*For a further discussion of Italy and the Fascista movement, see pp. 417-420.

potency, the increased welfare and the intensified development of the nation.

Accompanied by an officer of the General Staff, I went over the Italian battlefront from Lago di Garda to Triest. No one who has not personally inspected these lines can have a conception of the dreadful difficulties and the appalling obstacles which the grimness of Nature and the long-designed preparations of man had created against the Italian Army.

The Austrian pre-war frontier was such that everywhere the Austrian army held the dominating positions, and for fifty years these positions had been fortified and their natural superiority made more formidable by the ingenuity of military science. It was these almost impregnable positions which the young men of Italy, little trained for, and long unused to, war, ill-prepared and inadequately equipped, were called upon to conquer.

Italy fought amidst dire privations and hardships.

Much of the fighting was done among and upon the ragged peaks of forbidding mountains. There, upon the sheer stony slopes, with little and sometimes with hardly any cover, among precipices, exposed to the fierce cold and storms of winter on the tops of the Alps, the scorching heat of summer on the ghastly Carso plateau, undergoing untold privations, for nearly four long years the soldiers of Italy held the lines.

Plain men, men of a people that had long been unaccustomed to martial exploits, a people that loved life, beauty and ease, they yet responded greatly to the stern call of patriotism, inspired by it to daring in battle and to admirable endurance, amidst dire privations and trials, both at the fighting front and, men and women alike, at the home front. All the greater is the homage due them as singularly little was done by those in authority to keep

up the morale of the people and to thwart subversive enemy propaganda.

After the tragic days of Caporetto, far from giving way to discouragement in the face of gravest danger, the Italian nation steeled herself to redoubled effort. With stout-hearted determination, her defenders held on to their precarious position at the Piave. They beat off the renewed attacks of the numerically superior Austrian army during the ensuing summer, and finally defeated it utterly, a week before Germany laid down her arms.

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The world has heard little of the vast destruction which the war wrought on Italian soil. Nor has it heard of the admirable energy and courage with which Italy set about to rebuild and reconstruct these devastated regions.

Uncomplaining, unheralded, unaided by financial assistance from abroad or by the receipt of reparations, she accomplished that vast task, and out of her own resources, grievously impaired by the cost of the war and its aftermath, she met the heavy burden of the expense involved.

She has received far too scanty credit for this great work of economic effort, just as she has received far too scanty credit, gratitude or reward for her part and effort in the war, a part which she took, not—as is believed by too many—in pursuance of a bargain concluded by a vacillating and reluctant Government, but because a high impulse, expressing itself through a sweeping popular movement, determined that Italy should stand and fight for what public opinion recognized as the cause of right and as the call of national duty and destiny.

What it meant to the Allied cause to have Italy on its side can best be appreciated if we picture to ourselves what would have been the situation if Italy had sided

with the Central Powers, or even if she had merely been benevolently neutral toward those Powers.

The assured complete neutrality of Italy in the beginning of the war was of the utmost value to the Allies, in that it enabled France to denude her southern frontier of troops and throw her entire available man-power against the German invader.

Italy's vital part in the war.

And the entrance of Italy into the war on the side of the Allies was one of the vital elements of ultimate victory.

Italy might have stood aside from the great conflict, and, without firing a shot, by bargaining and maneuvering and playing the Allies against the Central Powers and *vice versa*, could doubtless have managed to obtain, in the way of territorial satisfaction, much the greater part of what she could hope for as the result of a victorious war.

She rejected that inglorious rôle. Her people chose the road of daring and of sacrifice. They did so, not when the star of the Allies was in the ascendant, but, on the contrary, when it was darkened by heavy and menacing clouds. The armies of Russia had just suffered disastrous defeat, and if it had not been for Italy's coming into the war at that very juncture, a large part of the forces of the Central Powers would have been released, to be thrown upon the Western front against the British and French lines.

Italo-Greek dispute and the League of Nations.

I happened to be in Italy at the time of the recent Italo-Greek imbroglio. It would take too long on this occasion to discuss the facts of that case. Suffice it to say that such information as I was able to gather about these facts would appear to explain fully the peremptory action of the Italian Government, and that, indeed, the

very rigor of that action may well have prevented developments which might have led to a war. The shedding of innocent blood which resulted from the bombardment of the defenses of Corfu is, of course, infinitely deplorable, but that bombardment was neither planned nor expected by the Italian Government, and I know that its results were most profoundly regretted by it.

Concerning the so-called "defiance" of the League of Nations by Italy, in connection with this controversy, the Italian Government contends that under the language of the Covenant it was not required to submit its action in the Italo-Greek episode to the jurisdiction of the League. However, quite apart from the merits of that contention, it did not require the demonstration of this episode to prove that there exists as yet no unity of purpose, conception or allegiance toward the League among its leading constituents, that in its present status it could not muster compelling moral force, and that its coercive features would not work, in a serious emergency.

Examples of the League's lack of authority.

The following instances from the record are all too eloquent: Greece, a member of the League, makes war on Turkey, Poland appropriates Lithuanian territory by force, Lithuania appropriates Memel by force—the League is waved aside. Hungary appeals to the League in a dispute with Roumania—the League is not heeded. The various Succession States, in a more or less flagrant degree, disregard the treaty provisions safeguarding the position and rights of racial minorities, to protect which is one of the League's specific tasks—the League looks on. France and Belgium occupy the Ruhr—the League is warned off. Within the past few weeks, Jugo-Slavia served an ultimatum on Bulgaria on the same lines as that presented by Italy to Greece, the occasion being not, as in the case of Italy's action against Greece, a revolting massacre of particularly sinister import, but a

mere assault committed by unknown persons on a Jugo-Slav diplomatic officer—the League was ignored.

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The *Bulletin Quotidien d'Etudes et d'Informations Economiques,* in one of its recent numbers, contains an article on the League of Nations, by Mr. André Waltz, a friend and advocate of the League, extracts from which, in English translation, are published by the *Franco-American Bulletin,* on the Committee of which are such eminent men as Senator Baron d'Estournelles de Constant and Mr. Albert Thomas, formerly a French Cabinet Minister, now head of the Labor Section of the League of Nations.

In that article the author, after having referred to "the preponderance of French and English influences, and their consequences, within the League," continues: "Whenever these two nations disagree, one sees formed immediately among the other delegations two divergent tendencies, only to be reunited in harmonious accord when England and France come together." He goes on to mention the fact that "the lesser States have formed coherent groups following their natural affinities."

A British Liberal's view of the League.

One of the most distinguished of British Liberals, a strong adherent of the League idea, has expressed himself as follows: "If you are to ask the world to guarantee the world's peace, it is essential to begin by establishing a foundation on which peace can stand. The Treaty has done the exact opposite. It has established conditions full of menace for the future; and it asks the League of Nations to guarantee that they shall continue. It is asking too much."

As matters stand, with the present conception and functionings of the League, it may well be questioned whether any great people will submit to having a question involv-

ing what it conceives to be its honor, dignity, or vital national interests, adjudicated compulsorily by that aggregation of fifty-odd States and Statelets (or even a limited selection therefrom), some of them moved or influenced demonstrably by political considerations of their own, some others being of inferior civilization, of scant repute and of little qualification for independent judgment.

Practicable and impracticable functions of the League.

The League has important and valuable functions to fulfill in pursuance of the high task of furthering fair dealing, understanding, good will, and maintaining peaceable relationships among the peoples—such as informing and mobilizing public opinion, exercising its good offices, seeking to remove causes of conflict and to prevent aggressive or precipitous resort to arms, acting as a clearing-house, investigating and mediating agency and administrative entity in many matters, etc. But the exercise and enforcement, through economic boycott or otherwise, of *compulsory* jurisdiction over great nations is not, as a realizable fact, one of these functions in the hands of the League, just as the undertaking to "preserve" in perpetuity the ill-conceived frontiers and dispensations, which were set up under the Peace Treaties, is not, as a realizable fact, and ought never to have been conceived as being, one of these functions.

The sooner the League not only recognizes this (as many of the most important individual delegates to its sessions have, in fact, recognized it), but actually and unmistakably, through appropriate eliminations and amendments, conforms its charter to its performable functions and realizable purposes, the better, I believe, it will serve the promotion of that beneficent influence and that great usefulness, which it ought to and can exercise in the affairs of the nations.

V

The ordeal of Austria.

In a report which I made, upon my return from Europe in May, 1922, I included the following reference to conditions in Austria:

> "I had occasion, during my stay in Europe, to visit Austria. Whatever the degree of punishment and atonement justly due for the crime of her Government in unchaining the war, nothing more tragic can be imagined than the utter misery of that gifted and amiable people who have been one of the civilizing forces among the nations, and to whom the world owes so much in the field of science, music and literature. It is appalling to contemplate the dreadful conditions, especially among the middle classes and more particularly those engaged in intellectual pursuits, their semi-starvation and, in some cases, actual starvation.
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> "Forced by the Treaty of Saint-Germain into economically almost impossible and politically unconscionable frontiers, lamed and crippled by its terms (even though some of these have since been mitigated or suspended), the Austrian people are singled out, less, really, by design than by bungling on the part of the treaty-makers, for particularly cruel and hopeless suffering.
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> "Forbidden, in defiance of the renowned doctrine of self-determination, measurably to relieve their economic conditions by affiliation with their neighbor, Germany—a prohibition defensible in itself, but vitiated by a treaty which has rendered Austria almost incapable of standing alone—harassed, humiliated and maltreated by other adjoining States on whom they depend for their trade and for some of the very necessities of existence, they are deprived

even of the possibility to escape from their wretchedness by emigration, because they cannot afford the means to emigrate overseas, and the doors of the neighboring Danube States are closed to them.

"At the same time, millions of their brothers—again in defiance of that assuredly super-eminent doctrine of self-determination—have been torn away from their Austrian allegiance and placed under the domination of Czecho-Slovaks, Roumanians or Italians."

Austria regains good will.

It is a great satisfaction to observe that this talented and sympathetic people, whom, nine years ago, the stupidity, feebleness and reckless wrongdoing of an unfit Government dragged into a wanton and calamitous war, has regained the good will of the world and, after having passed since the Armistice through a formidable ordeal of sorrow and suffering, is now, at last, well on the road to a measure of recovery.

The immediate cause for the favorable metamorphosis which, within the last year, has taken place in Austria, notwithstanding the ruthless conditions imposed by the Treaty of Saint-Germain, is the conclusion, last spring, of the international loan, through the instrumentality of the League of Nations, which has enabled Austria to stabilize her currency and, generally, under the surveillance of the administrator appointed by the League, Dr. Zimmerman, to put her affairs in order.

Much of the credit for this development belongs to that sagacious, straightforward and skillful statesman and priest, the Austrian Chancellor, Monsignor Dr. Seipel.

It is to be hoped that certain obstructions and harshnesses practiced by the newly created states adjoining Austria, hampering her trade and rendering unduly difficult her access to necessary foodstuffs and raw materials, will soon give way to recognition of the reciprocal ad-

vantages of unreservedly good and mutually helpful neighborly relationships, followed, in due course of time, by some kind of broad economic affiliation.

The talents and qualities of the Austrian people; the traditions of a fine and ancient culture; the charm, beauty and interest of her capital city, Vienna; the attractiveness of the country, its geographical position and great strategic importance from the economic point of view; the experience, skill and old-established international relationships of her trading and banking classes; her eminence as a center of art, science and culture; and various other elements, tangible or imponderable—the combination of all these things bids fair to give to Austria an international standing and significance considerably beyond the measure of the number of her inhabitants and the size of her ruthlessly truncated country.

VI

Treaty imposed on Hungary defies rights and pledges.

Of the all too numerous wrongs and faults sanctioned by the Peace Treaties of 1919, none are of a deeper dye, more in defiance of that peace of justice which was to crown the victory, than those embodied in the Treaty of Trianon, by which nearly two-thirds of Hungary's territory was torn from her and given to adjoining states, millions of men and women of Hungarian race, stock and language and age-old Hungarian traditions were placed under foreign dominion—without any test of their preference, in total disregard of the famous doctrine of self-determination—and Hungary, thus despoiled, disrupted and impoverished was rendered doubly prostrate by being saddled with a huge burden of reparation.

And let it be remembered that the statesman who was at the head of the Hungarian Government in 1914, Prime Minister Count Tisza, opposed the war to the

last minute of the last hour, though, of course, when it came nevertheless, the Hungarian people stood by the side of Austria as in duty and loyalty bound; and they fought with a bravery and chivalry that met with the admiring commendation of their enemy.

After the tragedy of the war came the futile Karolyi revolution, instigated and carried out by Utopianists who proved themselves hopelessly unfit to administer the government.

The short-lived Karolyi administration led to the nightmare of the regime of Bela Kun.

The next event in the order of Hungary's misfortunes was her invasion and unwarrantable spoliation by Roumania.

With disaster thus following upon disaster, culminating in the appalling shock of the merciless terms of the Treaty of Trianon, the road which the Hungarian people were doomed to travel was indeed one of fearful trial and anguish, which might well have crushed utterly a race less strong in fiber and staunch in spirit.

Hungary has demonstrated great national qualities.

That they found the strength within themselves, laboring under a physical, mental and nervous strain well-nigh beyond human endurance, not only without foreign aid and encouragement, but browbeaten, harassed and hampered by neighboring States, to reëstablish order out of chaos, re-create settled conditions of existence and of government, resume work, retain faith and courage and grapple resolutely with almost insurmountable difficulties—is an achievement betokening great national qualities.

That Hungary, deeply outraged in her national consciousness, grievously wounded in her patriotic feelings, was carried beyond the bounds of self-restraint and moderation when passionately determined men gathered under the lead of Admiral Horthy to hurl Communism from power and reëstablish order and regular govern-

ment, is, however regrettable and censurable, all too natural a sequence to what had gone before.

That the effect of the strain, the provocations and the humiliation put upon the nation, both from abroad and by misguided domestic elements, has not yet entirely worn off, that consequently bitterness and unsettledness of spirit, expressing itself in certain political and racial animosities and exceptionable measures and proceedings of discrimination and constraint, are still apparent in some respects, is a condition for which, though not justification, yet forbearing comprehension may well be claimed, in view of the causes above referred to and of the deprivations, difficulties and abnormalcies under which the people still live.

Prime Minister for moderation.

The Government, speaking through the Prime Minister, has recently declared its firm opposition to those elements who are the main advocates of racial discord and ultra-nationalistic tendencies. And it is a safe prediction that the more its position will become strengthened by ability to minister to the economic needs of the country, the more unequivocal will be its attitude and actions in the manifestation of a broad-minded and conciliatory spirit toward all those, of whatever persuasion or political views, whose conduct demonstrates that they are entitled to be considered as loyal citizens of Hungary.

Hungary not governed by irresponsible dictatorship.

It should be mentioned, in this connection, that the widely prevalent impression that Hungary is governed by an irresponsible dictatorship, is erroneous. The Regent, Admiral Horthy, holds his position, which is a provisional one, by act of Parliament and within constitutional limitations. The active work of the Government is carried on by a Prime Minister and Cabinet, subject to the approval of Parliament.

A highly gifted and attractive people, virile, chivalrous, possessing a fine culture, rooted in great and ancient traditions, the Hungarians are one of those racial

stocks which have contributed their full relative share toward the common assets of the world.

Their country is of great fertility and even within its cruelly curtailed frontiers should still be capable of sustaining the population. In addition, it has important economic advantages through its geographic location, which makes it one of the principal places on the high-road of commerce between the East and the West. Its labor is diligent and of inherited skill, its general population frugal and industrious. Its trading and financial classes are able, enterprising and trained in world affairs. Its capital, Budapest, is a city of great beauty and interest, and eminent as a center of art and culture.

To a considerable degree, the reasons which I have adduced in speaking of Austria as justifying the expectation of a standing and significance disproportionate to the size of the country and the number of its population, hold good also in the case of Hungary.

Solution of economic problems requires a foreign loan.

The people are hard at work with great energy and determination. What is now required for a prompt and satisfactory solution of the immediate economic problems which confront Hungary is that the matter of reparations be adjusted in such a way—as was the case with Austria—as to enable them to obtain a foreign loan for the purpose of normalizing and stabilizing their currency and carrying out a logical and permanent program of economic sanitation.

It is greatly to be hoped that in such a loan, contemplated to be issued, in due course, on an international basis, America will take her share, as she did in the case of the recent international issue of an Austrian loan.

The granting of an adequate loan, the security of which can, and doubtless will, be amply safeguarded, is the very least that in fairness and reason is due to Hungary, apart from the fact that the stabilization and normaliza-

tion of affairs in that country is a matter of great desirability for the European situation in general.

It is gratifying to learn that, thanks largely to the wise and tactful policy of Hungary's able and respected Prime Minister, Count Bethlen, there is every reason to expect that the States claiming reparations will make the concessions requisite to enable the carrying out of such a transaction; and also that there is warrant for the hope that the economic relations with the States adjoining Hungary will soon be placed on a more neighborly basis, and one more nearly fair to her than has been the case hitherto.

Hungary's attitude toward the Treaty of Trianon.

It would be more than human if Hungary were to be, or to profess herself, reconciled to the dispensations inflicted upon her by the Treaty of Trianon, dispensations which challenge the conscience of the world, which ought not to stand, and which, I believe, cannot and will not stand.

Nor would it be becoming to a proud and self-respecting people if they were to fawn upon those who, at the cruel loss of Hungary, are the exultant and none too generous beneficiaries of a victory won by others. But she does not think of seeking redress by provoking the calamity of war.

She knows that her salvation can be found only in work and self-discipline, in the demonstration of superior qualities, in gradual natural developments and in the workings of those ethical forces that make for justice and the fitness of things.

VII

A journey in Europe leaves one with two vivid impressions in respect of our own country: The first one is a recognition of the immense power for good which, without undue entanglement, is open to the United States

to exercise in the affairs of the world, of the appealing faith with which many nations turn their faces toward us, and of that moral responsibility which goes with good fortune and power.

The second is a grateful sense of the blessings under which we live.

America in contrast.

The underlying elements and conditions in America are more favorable than in any other country in the world.

Our country is endowed with a combination of natural resources and advantages beyond any other. Ours is a hard-working, enterprising, alert and intelligent population, deeply attached to American institutions and to the fundamentals of the American form and aim of government, determined to preserve them against attack from whatever quarter, and wholly proof against Bolshevism and similar destructive excrescences.

We have the inestimable benefit of a matchless Constitution, which has given us stability of government since the inception of the Republic and has stood every test and strain.

We are situated on a Continent, which long has been—and promises to remain—the abode of peace.

We have no intrinsic cause for class conflicts, inasmuch as, truly, there are no classes in America. Education and opportunity are open to all. The field for men of brain and character and enterprise is still almost limitless, and as much room as ever is left on top. The vast majority of our successful men started at the bottom of the ladder. The employee of today is the employer of tomorrow.

America's potentialities for achievement.

The standard of living of the masses of the American people is superior to that prevailing anywhere else. What formerly were luxuries obtainable only by the rich, have become everyday conveniences available to the great majority of the people. We are in the blessed position, while naturally having our problems and questions in the social

and economic field, that none of them, thus far, is of an essentially grave or intrinsically portentous character.

We are at peace with all the world. We covet nothing. We fear no one. We mean well by all. The future lies before us unclouded, bright with the sun of promise and boundless in its potentialities for material and spiritual achievement.

To guard jealously and defend resolutely, against assault from any quarter or in any guise, that spirit of tolerance and fair play which is of the essence of Americanism; to take counsel with one another and refuse countenance and hearing to emanations of envy, suspicion and class animosity; to look upon the problems of the various sections and callings of our country as common problems to be treated in a spirit of mutual helpfulness and well-meaning intent, not by the pulling down of some but by the pulling up of all; to see to it that politics do not throw impediments and harassments in the way of the nation's business and load it down with undue burdens and ill-judged exactions; to cultivate the things of the spirit, while strenuously and constructively carrying on those of material import and preserving unweakened the fiber of the racial character—these are among the prerequisites for bringing about that abundant measure of well-being and advancement and achieving that greatness of national destiny, which a favoring Providence has placed within the reach of the American people.

EUROPE TODAY *

THIS is the first December since the Armistice that one who is duly conscious of the responsibility that goes with public utterance, can speak about the European situation without being troubled in mind lest he either express himself more reassuringly than the facts warrant, or say (or, at least, imply) things which, pursuant to his hopes, wishes and sympathies, he would rather have left unsaid.

The recent elections here and abroad.

The element of paramount significance, as I view it, which characterizes the year drawing to a close, is the remarkable demonstration afforded by the recent elections in France, England, America and Germany, that the preponderating sentiment of the people is tired and weary of commotion, controversy, agitation and experiment, from whatsoever quarter emanating and to whatever end directed.

That is the principal meaning of the British election, when the voters turned to the Right and placed the Conservative Party into power. It is equally the meaning of the French election, when the voters sought to find moderation by turning from the Nationalist Bloc and confiding the government to the Parties of the Left. It is largely the meaning of the American election of last month. It is the meaning of the defeat of the extreme parties, both of the Right and of the Left, in the German election a few days ago.

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A French statesman said recently: "On the 11th of May, 1924, Destiny changed horses." That is a true

* From an address before the Canadian Club of Ottawa, at a luncheon meeting, December 13, 1924.

When Destiny changed horses.

statement, and in accepting it as true we would not do injustice to the high qualities of patriotism and character of Mr. Poincaré, who, for the two years preceding that date, had guided the destinies of France and mainly determined the complexion of European affairs.

The French elections of May 11, 1924, conveyed a popular pronouncement to the effect that France meant to resume her traditional place in the camp of Liberalism. They implied a mandate that, in relation to her vanquished enemy, the regime of relentless logic, of rigorous adherence to the letter of things, and of exactions which, however well-grounded, were impossible of fulfillment, and which, without benefiting France, prevented the recovery of Europe, should be discontinued, and that in its place there should come a policy which, without yielding essential French interests or jeopardizing French security, would pursue a course of appeasement, settlement and upbuilding in international affairs.

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Approval of Dawes Report by London Conference of vital importance.

Within three months after Destiny had thus changed horses, the first effective step, since the Armistice, was taken toward the normalization of Europe, by the vitally important action of the London Conference in putting the Dawes Report into operation.

I am not unmindful of the fact that the conclusions of the Dawes Commission had been generally approved by Mr. Poincaré's Government, together with the other principal Governments concerned, prior to May, 1924. But how great was the distance to be covered between approval and consummation, how many obstacles were to be overcome, is demonstrated by the fact that, even with negotiators as well disposed and as earnestly anxious for accord as those who assembled in London last July, it took one full month of strenuous and trying work, which more than once came to the verge of frustration, to accomplish the task.

What gives to the results of that Conference so far-reachingly auspicious an importance is the way and the spirit, in which the principles and recommendations of the Dawes Report were finally translated into a binding chart of action, and means established to deal efficaciously with differences of interpretation in the future, to overcome deadlocks and to guard against the eventuality of any one of the nations concerned resorting to arbitrary measures for the enforcement of what it believes to be its rights. I venture to think that it is not an unduly hazardous assertion to say that the London Conference could not have attained the results it did if it had not been for the change which, prior to its meeting, had supervened in the political direction of France.

The Dawes Report a bridge for the uses of the nations.

It is quite true that the Dawes Report, admirably enlightened and of incalculable value as it is, does not in itself constitute a highroad, smoothly paved, broad, straight, and free from obstructions. It is merely a bridge constructed by its builders as best they could with the somewhat incomplete equipment and inadequate material at their disposal. It is thrown open to the uses of the nations concerned, in the hope and with the expectation that they will freely avail themselves of it.

The structure is necessarily fragile. Anyone driving across it at a furious pace might cause it to give way. But, fortunately, by the common assent of all users of the bridge, the traffic is regulated and the structure guarded by the fairness, good sense, impartiality and firmness of Americans chosen and qualified for that purpose. And that bridge does lead from the shore of dispeace and turmoil to the shore of conciliation, settlement, and revival of industrial and commercial activity. It does lead to that highroad, the signposts along which point to prosperity and to neighborly relationship among the nations.

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The recent election in the United States.

Will you allow me to digress from the discussion of European affairs, in order to revert for a few minutes to the recent election in the United States? Irrespective of Party considerations, I believe it may justly be said that, given the surrounding circumstances, it was really an extraordinary vindication of the good, sound sense and steadiness of the plain people of our country.

It is heartening and encouraging to see that a man of the type of Calvin Coolidge can capture the popular imagination; that a statesman who has the uncompromising courage of his convictions and calmly goes ahead doing his duty as he sees it, who is utterly free from the spectacular and the sensational, who is the very opposite of the "ear-to-the-ground" kind of politician, can become, as he did become, a popular favorite.

I have no sympathy or intercourse with reaction. I am utterly opposed to self-complacent "standpatism." I believe in, and welcome, progress. I recognize the place of radicalism in the scheme of things. But, to be tolerable, radicalism must be sane, informed and well-meaning. It must show a grasp of the realities and consciousness of responsibility. When it becomes a common scold, when with violent shouts it attacks windmills, while trying to make people believe that they are dreadful monsters, when it "waves the bloody shirt" of controversies settled long ago, when it habitually fosters and deliberately incites class hatred, and when, after a false diagnosis, it advocates remedies which are worse than the disease—when, in short, it is fatuous, narrow-minded, intolerant, ill-informed, unveracious and venomous, then it deserves to be smitten and defeated as it was smitten and defeated in the last election in the United States.

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To return to the subject of the European situation:

I have emphasized the political aspect of the developments which have taken place in Europe, because it is

that aspect which, in my opinion, is largely determining in the consideration of the immediate outlook for trade, commerce and industry on that Continent. I believe that the principal nations of Europe would long since have been on the road to recovery from the effects of the war and to the attainment of normal economic conditions, if it had not been for the constant and sinister intervention of political causalities, from the Treaty of Versailles to the occupation of the Ruhr.

Recuperation under way in Europe.

Now that all the leading governments of Europe appear to have turned away from mistaken conceptions, plans and measures, to have faced the realities of the situation, and to be addressing themselves to the task of rehabilitation in a sincere and constructive spirit, the recuperation of the main portion of the old Continent ought to go on steadily. Of course, the full completion of the process of recovery will still require time, patience, skill, care and forbearance. Any clumsy or provocative handling of what, necessarily for a while, must remain a delicate situation, any recrudescence of that spirit, on either side, which is exemplified in the episode of the Ruhr occupation, would be apt to bring about a relapse into that condition which our hopes would consider relegated to the past.

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In due consideration of your time and patience I will confine the rest of my remarks to a rapid and sketchy survey of the situation and the outlook, as they appear to me, in the principal countries of Europe:

England.

It would be idle to blink the fact that the path before England is not clear of vicissitudes and intricacies. Unemployment in large measure still exists. Her trade with the European Continent is hampered by impediments, both those naturally arising from the faultiness of the Peace Treaties, and those created by the policies adopted by most of the European nations since the war. Paying

her national creditors promptly, while receiving nothing from her national debtors, she is bearing a burden of taxation such as no other people has had the courage to impose upon itself.

During and since the war, under whatever Government, in the stress of all her trials and tribulations, and confronted with manifold and formidable problems, England has shown nothing less than economic heroism in her undeviating adherence to sound and tested principles, to the highest standards of national financial integrity, and to those fine old traditions of commercial honor and economic righteousness which are among the principal pillars of the edifice of her greatness. She has thus proved anew her incontestable title to an asset which, though imponderable, is of incalculable value, and the returns from which are bound to be large and lasting.

No appraisal or forecast as to the position of England is well grounded that fails to take adequate account of the great racial qualities and deep-rooted traits of her people. They are "carrying on" as of old, a little weary perhaps, a little glum, and grumbling considerably, but facing the realities with clear and fearless vision and bravely bending to the task.

The advance of the Pound Sterling to within a fraction of its par value is an expression of the world's unquestioning confidence in Great Britain's economic ways, her wisdom and character, and of its estimate of what the future has in store for her.

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France, industrious, prosperous (though troubled by the high cost of living), thrifty, with abundant employment for her people, and with a satisfactory balance of trade, has set out to enact such legislative measures of taxation and economy as, with careful and energetic administration, ought to prove adequate to establish the equilibrium of her *current* national household. France.

Public reports indicate that she is preparing to address herself to the permanent solution of such other questions within the province of governmental financial policy in the widest meaning, as may be said to constitute, in their direct and indirect bearings, the one, concrete and immediate, signal problem before her. It would be idle to underestimate the difficulty, complexity and importance of that problem, but it would be no less idle to underestimate the resources of France and the capacities, probity and patriotic determination of her people, which assuredly will prevail.

Of basic importance is the problem of giving to the French people both the fact and the feeling of security against foreign aggression—a problem to be solved by the sagacious and broad-minded collaboration of those forces which stand pledged to the maintenance of the peace of the world.

And there are other matters, both internal and external, which challenge the care and wisdom of the French Government. But all these, I feel convinced, will yield satisfactorily to frankness and sincerity in dealing with the people and to steady pursuit of that course of action, which the voice of the electorate has indicated: moderation and assuagement.

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Permit me to pause here for a moment to make a plea for patience, forbearance and understanding in formulating views and judgments on this side of the water as to the mentality, the psychology and the actions of France —and, indeed, of the leading nations of Europe in general.

France, from 1914 to 1918, has passed through appalling sorrow and suffering, through almost unbearable stress and strain, followed by sore disillusionment and manifold tribulations. Recalling the ordeals, all too often repeated, of her past, she is anxiously bent upon safe-

guarding her future. She is weary and worn with worries and cares; her nerves are on edge.

Let us make due allowance, let us think of her with sympathy for her troubled state, let us try to understand her historical background and her problems. That is not quite easy for us, because we are not in the habit of projecting our minds upon the intricacies of European conditions and historical relations, and because we are in the blessed position of being free from complexities of the nature of those which beset, and for centuries have beset, the nations of Europe.

When we cannot see eye to eye with France, when we fail to find ourselves in accord with some of her policies and apparent tendencies, let us judge with restraint and forbearance, and above all do not let us indulge in self-righteous sermonizing. Let us be grateful in due humility that the baneful inheritance of problems, cares, troubles and dangers, which weighs upon the peoples of Europe, has no place in our own country. And, in respect of France particularly, let us bear in mind the sentimental affiliations which so long have bound us to that great race which has rendered such incalculable services to the cause of humanity and of liberty.

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Italy has attained extraordinary progress, in every respect, thanks to the masterful guidance of that remarkable man, Benito Mussolini, and to the qualities and efforts of the Italian people. Italy.

The finances of the Government have been put in order by vigorous taxation, strict economy and undeviating adherence to sound methods. Indeed, the administration and policies in fiscal affairs have been models of courageous, wise and a skillful financial statesmanship. Economy and efficiency have been introduced into the governmental and other public services. Inveterate abuses and shortcomings have been, or are being, remedied. A

program of purposeful planning, vitalizing reforms and constructive activities is being steadily carried forward.

Commerce and industry are active and prosperous, and are being intelligently seconded by the Government. Foreign trade is being aided by well-conceived commercial treaties. Courageous enterprise has been called forth. The rewards of labor have been improved, the living conditions of employees ameliorated by enlightened measures, the social welfare of the workers and their families promoted by advanced legislation, and unemployment and strikes reduced to a minimum. Work and order prevail, and disciplined effort for the national welfare. Art is being stimulated, science encouraged. Patriotism and proper pride of country have resumed their rightful place.

The voice of Italy, long unheeded in the councils of Europe, is heard with due consideration in the chancelleries of the nations.

While, in speaking of the situation of Italy, mention must be made of the political agitation which for some months has had a prominent place in newspaper reports, yet we should beware of judging that agitation by standards which are foreign to it, being based upon the political conceptions and traditional ways of English-speaking nations, and from giving to it an interpretation of exaggerated significance.

Some aspects of the Fascista Revolution.

The Fascista movement was in the nature of a patriotic revolution, an upheaval—be it remembered—singularly little marred by bloodshed. It was a revolution not for Reaction, but against governmental inefficiency and corruption, social disintegration and national decay.

"Every revolution has the right to defend itself," as the Italian Ambassador to the United States said in a recent speech. "Every successful revolution naturally seeks to complete and safeguard its program and to consolidate, and give permanence to, the principal things which it set out to attain."

Profound organic changes in government do not run their course in the short space of two or three years. If in certain pronouncements or legal enactments, or in sporadic actions of its adherents, Fascismo has overleapt itself, or will do so, let it be remembered that history shows that such is in the very nature of every revolutionary movement. The final verdict as to the value and justification of such movements is to be based not upon passing incidents or transient phases of their conduct, but upon the general features of their actions and purposes and upon their permanent results.

No doubt, among the men whom the Fascista movement brought into positions of responsibility and influence, there were a few whom the test of time proved unworthy, as has happened in the aftermath of every revolutionary upheaval. No doubt, by the side of a truly remarkable record of governmental achievements, some errors, abuses or excesses did, and do, occur, and some features of policy are open to dissent. No doubt, among the vast preponderance of Italians who willingly accepted, and indeed welcomed, an extraordinary regime, in however stringent a form, as long as that was necessary to set Italy's house to rights and preserve it from dire jeopardy, there must be many thoughtful and liberty-loving men who strongly desire a return to normal ways of government, as soon as compatible with the best interests of their country.

It is, of course, manifest—and is, no doubt, fully realized by Prime Minister Mussolini and other leaders of Fascismo—that, ultimately, extraordinary measures and methods must give way to a normally functioning system of government, including among the provisions of its charter fair and free scope, within legitimate bounds, for the effective expression, and the eventual consummation, of opposing views, whatever its form and substance in other respects.

Popular support of Mussolini.

Meanwhile, all indications continue to demonstrate that the great majority of the Italian people are conscious of what they owe to Benito Mussolini, that they retain their gratitude, admiration, and loyalty for him, and desire his continuance as head of the Government. By the fundamental test, whether it rests upon "the consent of the governed" to a predominant extent, I think there can be no doubt that Mussolini's Government is sustained.

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Repeatedly, I have watched the legions of blackshirted youths and men parading through cities in Italy, their faces shining with the ardor of enthusiastic devotion and unquestioning faith toward what they feel and hold to be an exalted cause. True, the faces of those youths and men are not lifted toward the radiant light of liberty, as we understand it, nor are their processes of thought and action compatible with our own paramount conceptions and cherished traditions. Yet, in due fairness, must we not concede, in spite of these basic divergencies, that they are animated by sentiments and emotions which arise from handsome aspirations and are entitled to be respected as such?

Mussolini found a people, whose past had been glorious, faltering and failing under the weight of the present. Equipped with nothing but the genius of his personality and the ardor of his patriotism, he, with a handful of comrades, flung himself against that sinister portent and set the Italian nation once more upon the highroad to national achievement. That is a towering feat; and being, as I freely profess myself to be, a worshiper of greatness in all its manifestations, I render homage to the man who encompassed it.

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Germany.

Germany, freed from the curse of a fluctuating currency and from the reparation chaos, and the resulting

embittered hopelessness, is buckling down again to disciplined, efficient and intelligent effort and is finding and applying anew the qualities which enabled her to attain so high a place in commerce and industry, as well as in science and other fields, prior to the war—a place the recovery of which the enlightened public opinion of the world will not begrudge to a Germany which will loyally fulfill her obligations, to the best of her ability, and cooperate toward the peaceable progress of the world. Indeed, towards a Germany thus minded and behaving, it is to be hoped that, by the common consent of the nations concerned, appropriate modifications will be granted as to certain provisions and derivatives of the Versailles Treaty which do not appear conformable with either fairness or wisdom.

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The situation in the Succession States and the Balkans.

It is not possible as yet, unfortunately, for a candid observer to present a pleasing picture of the situation in the so-called **Succession States** (*i.e.*, the States which, in whole or in part, formed portions of the pre-war Austro-Hungarian Empire) and the **Balkans.**

The injustice, the political maladjustment and the economic faultiness of the territorial arrangements in that part of Europe, as these were determined by the Peace Treaties, have been further intensified by the maintenance of undue and threatening military force, by the harsh and unfair treatment of racial minorities and by a narrow and invidious nationalistic policy, both economically and otherwise, on the part—to a greater or lesser degree—of all those States which were the beneficiaries of those treaties. The resulting situation, until remedied or, at least, substantially mitigated, is bound to militate against the prosperity and stability of all that portion of Europe and, at the same time, to constitute a potential center of disturbance to peace.

How the situation might be remedied.

The most desirable and, in the long run, the most beneficial course for all, would be a voluntary modification of certain phases of the existing territorial arrangements, by common consent, in a spirit of neighborliness and reciprocal fairness. Failing the application of that remedy, I can only think of two ways in which the common welfare of the peoples concerned can be best promoted and ominous eventualities effectively averted.

The first way is for those States, while retaining their separate and independent sovereignty, to agree upon some kind of economic association (which, in its ultimate consequences, might possibly lead to some more or less loose-knitted actual association). The second is, through the League of Nations, in unofficial coöperation with the United States, to set up another "Dawes Commission," which shall apply to that complex situation and that *impasse* the same fairness, broad-minded comprehension, tact and resourcefulness that the members of the Dawes Commission brought to bear upon the no less involved and difficult problem of reparations.

It may be assumed that the same moral force and pressure of public opinion which caused the Dawes Report to be universally accepted, would impose compliance with the findings of such a commission upon all Governments concerned. And thus, another much-needed bridge would have been constructed—a bridge which will lead nations now torn with discord, retarded in progress and aloof from prosperity, to lasting peace and good will and to that state of well-being and advancement which ought to grow from the natural wealth and the potential productivity of their respective countries.

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Russia.

As to **Russia**, it seems to me that all that can be said, under existing circumstances, is, that time and the controlling qualities of human nature may be depended

upon, ultimately, to do their work in that country. I am wholly convinced that, whatever may prove to be the lasting form, essence and meaning of the travail which started with the Revolution of 1917, it will not be Bolshevism.

A SUGGESTION FOR THE SETTLEMENT OF THE FRENCH DEBT TO THE AMERICAN GOVERNMENT *

YOU have asked me to make a few observations with a view to suggesting a basis for the discussion this evening of the subject of a settlement of the French debt to the American Government.

The recent negotiations in Washington between the American and the French Debt Commissions have led, as you know, to no permanent conclusion.

The French Commission took home with them for consideration the final American proposal to compromise on a temporary arrangement, under which no further interest accrual would be added to the face value of the debt, and France, for the next five years, would pay forty million dollars annually, negotiations for a permanent settlement to be resumed either at the end of that period or earlier.

Therefore, negotiations being in suspense, I agree with you in considering this an appropriate time, with every respect for our Debt Commission and every confidence in its handling of the matter, for public opinion to occupy itself with the subject.

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A liberal settlement advocated.

I shall not inject into the discussion on this occasion my personal views on the general subject of the treatment of the war debts—except only to say that, alike for moral and practical reasons, I would favor a settlement, all around, of the most liberal kind. I believe that a spirit of enlightened moderation and farsighted recog-

* A speech at the Harvard Club, October 16, 1925.

nition of the realities should prevail in the arrangement of financial claims between the victorious nations, and that, also, in dealing with the defeated nations due and clear-headed account should be taken of what is practically obtainable and compatible with the universal desideratum of a return to normal relationships and orderly economic conditions.

However, as I have indicated, I shall base the suggestions which I propose to put forward for consideration this evening, not upon what seems to me ideally desirable, nor shall I indulge in forecasts as to what, in due course of time, may yet come to be the prevailing viewpoint and attitude of the American people on this entire subject of war debts. I shall confine myself to suggesting a plan which in the present status of public opinion and Congressional attitude would appear reasonably likely of acceptance on our side, while at the same time not exacting from the French people more than they may fairly be held capable of paying and would feel themselves warranted to concede.

I

Validity of the Allied debts to America.

The debts incurred by the Allies for money advanced to them by the American Government during and after the war are justly due us. There is no ground for question or dispute, let alone reproach, on account of our Government's unwillingness to consider them as other than valid obligations.

The contention—plausible, at first blush, and sentimentally appealing—that these loans should be considered simply as a contribution to the common expense of the war, will not hold when put to the test of searching argument.

The intrinsic circumstances of America's joining the war were essentially different from the conditions and

considerations which determined the course of the Allied nations when they entered the conflict. Neither the compelling element of self-preservation, nor any fear of the intentions or actions toward America of a Germany emerging from the war unbeaten, actuated America's decision to throw her sword into the scale on the side of the Allies. America made no secret treaties or bargains as the Allied nations did. She was wholly uninfluenced by material or political considerations. She asked for none of the spoils of victory and she received what she asked—none. The Allied nations rightly understood at the time, and over and over again proclaimed with admiring and grateful enthusiasm, that, at a critical and perhaps decisive juncture, the Americans came into the war, 3,000 miles from their shore, as crusaders for what they held to be the cause of right and liberty and honor.

Moreover, it seems proper to recall that during the very time when we made loans to the Allied Governments in unstinted measure, we paid cash to them aggregating a vast sum, for everything our Government bought "over there" for the prosecution of the war, and not only for what it bought but for a good many other things, such as transportation, services and claims of multifarious kinds.

II

Considerations bearing upon Allied debts to America.

On the other hand, we are unquestionably called upon to take fully and generously into account the circumstances under which, and the purposes for which, these loans were contracted. And it is but fair to bear in mind that much the larger part of the amount which America loaned to the Allies was spent in making purchases in this country; also, that from the profits accruing to the sellers—and these profits were very large—the

American Government derived large revenues in taxes.

We should consider the war sacrifices of the various nations (also, on the other hand, the greater or lesser degree of compensations or advantages received by them respectively, under the terms of the Peace Treaties), the economic position in which they find themselves, their problems, efforts and burdens, the total size of the war debts, payable abroad, which are resting upon them, and the ability of the nations concerned to effect such payments.

We should remember that the Allies were our brothers-in-arms and that when, under the duress of war, they "signed on the dotted line" promising to repay, within thirty years, the principal of the sums borrowed, plus 5 per cent interest, they cannot have expected that the obligation thus incurred would be enforced to the letter. Nor could our Government have expected it, because the sum would have been so staggering as to be utterly beyond the possibility of realization. As a matter of fact, both the Executive and Congress long ago waived the idea of enforcement in full. We have crossed that bridge. The question before us, therefore, is not that of the principle whether concessions should be made from the letter of the bond, but what, in fairness and practical good sense, these concessions ought to be in each instance, according to the facts of the case.

It is evident that it is both of material and of moral concern to America to see the situation in Europe finally adjusted, stabilized and normalized, which consummation requires, among other things, a definite fixation of all inter-governmental debts and claims.

III

However fully I, a banker, appreciate the importance of the due observance of contracts, the due honoring of

Differentiation between war debts and ordinary commercial debts.

obligations, whether between Governments or between individuals, I cannot escape the recognition that, considering the circumstances under which most of the Allied debts to our Government were incurred, they do not fall—except in part—within the category of ordinary commercial debts. I think they should not be so considered by us, and I know they are not so considered by the sentiment and reasoning of the plain average man in the debtor countries.

And here enters a psychological element to which not enough weight, perhaps, has been given thus far in this country. Just as no law can be effectively enforced which does not have behind it the prevailing sentiment of the community, so—human nature everywhere being what it is—no enduring settlement can be made among nations, on account of obligations arising from a war conducted in common, which would impose upon the debtor a greater burden than public opinion in his country will look upon as acceptable and bearable, and compatible with the vital interests of the nation. No Government in any of the countries indebted to America will be able to go counter to that sentiment and attitude on the part of its people, and hope to remain in existence.

However firmly we are convinced of the righteousness and liberality of our point of view, we may not wisely ignore, or in fairness overlook, equally genuine convictions of prevailing opinion on the other side.

IV

Europe's troubles and America's carefree prosperity.

The Allied peoples went through the unspeakable sorrows and sufferings of fifty-one long months of war, followed by disillusionments and nerve-wearing strain. They are still beset by difficulties and worries. Their standard of living is not comparable to ours. They be-

hold America devoid of troublous problems, happy and carefree, overflowing with prosperity.

If a man has met with conspicuous material success, it behooves him to be accommodating, neighborly, forbearing, and to so use the advantages which he enjoys as to prove that he is fully conscious of, and living up to, the responsibilities and obligations, actual and moral, which go with wealth. That is not only a dictate of elementary decency and good taste, but its observance or non-observance is apt, in the course of events, to prove practically serviceable or practically detrimental, as the case may be, to the person concerned.

What is true of conspicuously prosperous individuals holds good, perhaps not to the same extent, but still to an extent, in the case also of conspicuously prosperous nations.

V

Coming now to a concrete suggestion for the discussion here of a settlement of the French debt, I wish to emphasize that I must not be understood as meaning to convey any criticism of the spirit and the actions of the American Debt Commission. I hold, on the contrary, that they have handled the recent negotiations with dignity, ability and consideration, in which connection appreciative mention should also be made of the manifestly genuine effort of the French negotiators to put forward an acceptable proposition within the limits of what they believed their country could honestly promise to pay, and was capable of paying, and French public opinion would sanction.

A formula suggested.

With these remarks recorded as a preamble, I wonder (assuming that it is mutually desired to come to a permanent settlement now or in the early future rather than at some later period when the question of France's capacity to pay will have become more definitely demon-

strable) whether a proposal somewhat on the lines of the following formula might indicate a way to a reciprocally fair and acceptable solution of the divergence between America and France with respect to the debt:

(a) Of the total French debt owing to our Government, aggregating, with interest, about $4,200,000,000, one-third, roughly speaking, may be classified as resulting from advances made either after the war, or—if during the war—for purposes not directly connected with its prosecution. *That one-third,* therefore, *bears the character of a plain debt* and should be promptly put in the way of repayment. I suggest that a fair rate of repayment would be four and one-quarter per cent annually, whereof three and one-half per cent should be considered as interest and three-quarters of one per cent should be treated as a sinking fund for the redemption of the principal of the debt. If that were done, this portion of the debt would be extinguished within fifty and one-half years.

(b) *On the remaining two-thirds* of the debt, it having been incurred in direct connection with the prosecution of a war fought on French soil, in which we were comrades in arms, *I would suggest that we should require no interest to be paid at all,* but should demand only the repayment of the principal in such annual installments (*i.e.,* 1.61 per cent each year) as to extinguish it within sixty-two years.

(c) In view of the economic and currency situation of France, I would then suggest the further concession (1) that, instead of the debt dealt with under (a) being extinguished in fifty and one-half years, the annual payments should be so adjusted as to extend that period to sixty-two years through *reducing,* on an appropriate scale, *the amounts payable in the first ten or twelve years,* and (2) that, similarly, *the installments payable under*

(b) *be so arranged as to diminish the burden of payments to be made during that initial period.*

In other words, I suggest saying to our French friends: "We desire our principal back, but are willing to grant you very easy and long-extended installments to effect that repayment. As to interest, we waive it altogether on that portion of the debt which was incurred for war purposes, say, two-thirds of the total. We ask only for interest on that portion which had no direct relation to the war, and we propose to make the rate three and one-half per cent per annum, which is less than what we pay ourselves."

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Mr. Caillaux's final proposal.

Mr. Caillaux's final proposition was, as you are aware, that France would pay annually, in total settlement of principal and interest, forty million dollars for the first five years, sixty million dollars for the next seven years, and thereafter one hundred million dollars for fifty-six years.

I do not know whether the French Debt Commission had in mind any such division of the total debt according to its character as I have suggested under (a) and (b). I do not think they had, because, otherwise, they would presumably have expressed that idea publicly, and brought it forward in the course of the negotiations at Washington, which, to the best of my information, they did not do.

Therefore, I must assume that it is a mere coincidence that the final proposition submitted by Mr. Caillaux (which proposition, by the way, was, as I understand, dissented from by some of his associates as being, in their opinion, beyond France's capacity to pay and beyond what public opinion would sanction)—I must assume that it is a mere coincidence that this final proposition would yield a result in dollars and cents which

is not very far from that which would be produced by the settlement I have in view.

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No conditional settlement acceptable to American public opinion.

There is an impression, which I believe to be well founded, that the principal reason why the American and French Commissions were unable to come to a settlement, arose from the fact that the French proposals were coupled with a basic provision which made payment by France to America conditional upon the receipt of payment by France from Germany. In declaring a provision of that nature as inadmissible, I am sure that the American Commission correctly interpreted the sentiment of the American people, which—while entirely willing to make just and liberal allowance in case of an emergency—would rightly disapprove any such conditional or contingent settlement of the debt question.

THE STOCK MARKET AND THE PUBLIC *

A few words should be said on the subject of the recent wild price fluctuations on the New York Stock Exchange.

Who is responsible?

Let me point out that the responsibility for such episodes of soaring "ups" and crashing "downs" belongs not to the Stock Exchange as such, because, after all, that institution is essentially a market, and all that those charged with its administration can do is to see to it that the goods dealt in are properly labeled, that no fake or otherwise objectionable goods are admitted, and that dealings are conducted honestly and with due and watchfully enforced safeguards for the public.

Neither can responsibility be laid justly at the doors of the Banks. It is not their function to act as censors and regulators of price movements. Of course, the Banks are called upon to exercise prudence and restraint in lending upon stocks at inflated prices, but if they were to attempt to use their position in order to control market movements, they would very soon be subject to bitter attack on the allegation of manipulating the stock market.

Greed and fear the two worst counselors

The responsibility belongs primarily to those in and out of Wall Street who permit unreflecting desire for gain to make them rush in and buy, (being somewhat apt in the process to engage themselves beyond their means), and the same impulse, or unreflecting fear, to rush in and sell. The two very worst counselors in any situation are greed and fear. You are bound to go wrong when you listen to their hectic urgings.

We have observed some of the very same persons who,

* Excerpts from an address delivered before the Chamber of Commerce, Atlanta, Georgia, April 23, 1926.

in February, could see no limit to booming prosperity, proclaim vociferously, in March, the total doom of prosperity, and, in both instances, find far too many listeners and believers.

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Of course, the stock market, in its very nature, is bound to be subject to considerable fluctuations. There are sound intrinsic reasons why, within limits, stock prices cannot—and, indeed, should not—be stationary. Speculation, as distinguished from gambling, has a legitimate place and a useful function in the scheme of things economic. But episodes such as those which have marked the course of stock prices and so-called "Wall Street sentiment" within the past two months, movements so extravagantly diverging from a reasonable equilibrium, constitute a generally harmful nuisance. They also constitute a reflection upon the steadfastness and sobriety of judgment of a portion of the community.

Manipulations seconded by "get-rich-quick" devotees

It is no adequate rejoinder to point to objectionable activities of "bull pools" and "bear pools" and to denounce unscrupulous manipulators for the boosting or the depressing of prices. True, unfortunately, to a certain extent they are a factor in the general reckoning. True, they do give cause for just condemnation, perhaps even, in certain instances, for corrective or punitive action. But they could never be more than an ephemeral and limited influence if they were not seconded by gullible crowds of "get-rich-quick" devotees, on the "long" or the "short" side of the market.

It is a regrettable spectacle to see people lose their heads and their money in this manner, and it happens altogether too frequently. To speak only of the recent past, a swing of the stock market pendulum approaching and, in one year, even exceeding in violence that of last month, occurred in each one of the years 1923, 1924 and 1925.

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If we are to maintain that leading place among the great financial centers of the world to which we are entitled, it is incumbent upon us to demonstrate self-assurance and steadiness, and to avoid recurrent exhibitions of alternating ebullition and perturbation.

An orderly readjustment called for, not a rout

A readjustment of stock prices from the giddy height to which some of them had been recklessly pushed, was called for and salutary. But it should have been an orderly falling back, not a panicky rout.

Whether stock prices will further decline, or will recover, in the immediate future, is a question on which I am neither qualified nor willing to express an opinion. But at the risk of laying myself open to the charge of trite sermonizing, I should like to emphasize at this juncture: "Don't surrender your sober and discriminating judgment, don't lose your sense of proportion, don't give way to unreasoning faint-heartedness or permit yourself to be stampeded by those who would designedly excite alarm in order to enrich themselves out of the discomfiture of others. Don't attach exaggerated heed and weight to emotional rumorings, imaginings, and 'ups' and 'downs' of the stock market, but do give due heed and weight to American resources, American enterprise, and the fruitful daily activities of many millions of hardworking American men and women."

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Basic line of America's business is upward

It is astonishing, when prices are falling precipitately, how ready many people are to eliminate from their consciousness the incontestable fact that *the basic line of this country's business is upward,* though naturally subject to fluctuations, and that, in order to arrive at a correct and profitable judgment of intrinsic values, there must be considered, besides the earnings of the present and those anticipated for the immediate future, the record of past results and the reasonable expectations for the longer future.

A well-authenticated story tells us that a famous financier, when asked for the secret of his success in knowing the right time for both buying and selling, replied: "The simplest thing in the world! I merely did what people wanted me to do. When they came excitedly clamoring and frantically bidding for stocks which I held, I accommodated them by letting them have my holdings. When they came excitedly clamoring and frantically offering for sale stocks which they held, I accommodated them again by purchasing some of their holdings."

When a descent into the "cyclone cellar" becomes warranted

The only circumstances under which, in a country with the resources, the resiliency, and the basic elements of ours, a temporary descent into the cyclone cellar becomes warranted are—leaving aside grave foreign complications—either manifestations of stark and persistent overproduction or overtrading, or the advent of a major credit disturbance, or acute monetary stringency.

None of these circumstances exists today or is even remotely likely to occur.

Apart, perhaps, from a very few specific lines, there has been no overproduction on the part of manufacturers, nor has there been overstocking on the part of merchants or dealers. On the contrary, the industrial community, as a whole, in the conduct of their own affairs, have kept their heads admirably during the price-boosting antics on the Stock Exchange. With few exceptions, the only overtrading that was done occurred in the stock market, apart, perhaps, from a certain amount of overtrading on the part of the public in the shape of excessive instalment-buying or unduly liberal spending in other ways.

Underlying conditions sound

The basic credit situation is excellent, and the banking structure is in admirable shape. Money is plentiful for all legitimate purposes, and there is no reason to anticipate a change in that respect.

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Please understand me as not meaning to indulge in any

kind of prophecy as to which turn things will take in the immediate future. It is possible that there may be a recession for a while in the tide of activity and prosperity of business, or, at least, of certain phases of business. On the other hand, it is possible that we may be merely pausing momentarily, as is not unnatural at this season of the year, in order to take our bearings, and then resume our course full steam ahead. Not a little will depend upon a factor which cannot be appraised at present with positiveness or accuracy, namely the crops and their monetary value, and the resulting position and attitude of the farming community.

At any rate, whether the immediate future will bring us a continuance or a temporary slackening of prosperity, there can be no doubt that underlying conditions are thoroughly sound in this country, and that there is ample warrant for feeling assured that, with natural and passing interruptions, the forward march of American trade and industry will continue.

Ominous premonitions not indicative of superior wisdom

To fill the air with counsels of ominous premonition— especially when they come *after* a stock market collapse— does not indicate superior wisdom but rather a lack of nerve, of vision, and of a calm and reliable appraisal of those fundamental elements with which a favoring Providence has endowed this country, and which, with the qualities of its people, are determining for the lasting development of commercial, industrial and general economic conditions in America.

THE END

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